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Canada. Royal commission on co-operatives.

Proceedings. v. 5, 1945.

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(ROYAL COMMISSION
ON
(CO-OPERATIVES)

1945

PROCEEDINGS
(OFFICIAL REPORT)

VOLUME No. V

PLACE Regina, Sask.

DATE February 1, 2, 3, 1945

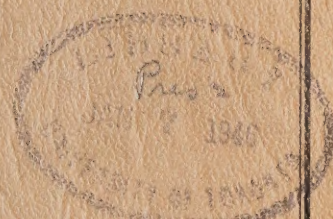
PAGES 1448 - 1718

(Conclusion of Regina sittings)

T. S. HUBBARD
OFFICIAL REPORTER

The Chairman

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ROYAL COMMISSION ON CO-OPERATIVES

V O L U M E V

Regina, February 1, 2 and 3, 1945

(Pages 1448 - 1718)

---For proceedings of January 29, 30
and 31, with appearances, contents
and alphabetical index covering
Volumes IV and V, see volume IV. ---

Regina,
Thursday,
February 1, 1945.

The Commission met at 9.30 a. m., Mr. Justice McDougall presiding.

MR. PARKER: You will recall, Mr. Chairman, that early in the hearings Mr. Grosch presented a brief on behalf of a number of independent dairies and some statements were made concerning the pool. It was understood when that case came up that Mr. Grosch would likely want to ask some questions. Mr. Gooding, representing the dairy pool, is here and he might present his brief and after Mr. Grosch has had an opportunity of reading it, if he feels that he is not ready to proceed with cross-examination, the witness can stand aside until this afternoon.

THE CHAIRMAN: That is in accordance with the procedure that we have followed until now.

MR. MILLIKEN: Mr. Gooding, who arrived this morning, has asked me to represent him. I have not seen the brief and I would prefer to leave him off the stand until this afternoon and let Mr. Francis proceed, and in the meantime I will give Mr. Grosch a copy of Mr. Gooding's brief.

MR. PARKER: That should be satisfactory.

MR. GROSCH: I agree.

THE CHAIRMAN: What do you propose in regard to the pool, Mr. Milliken?

MR. MILLIKEN: In view of the fact that it would be impossible for the pool to be heard this week here, it would be asking a great deal to request that the Commission stay next week on that account. Coupled with that is the fact that the Alberta U.G.G. case will be heard at Ottawa, and the Manitoba Pool will have their case dealt with in Ottawa instead of Winnipeg. In the circumstances, I think

it would be more convenient for the Commission if they all came together.

THE CHAIRMAN: That, I should think, would be the logical way of dealing with the matter.

MR. MILLIKEN: We are prepared to go to Ottawa.

THE CHAIRMAN: We may take it then, that these hearings are referred to Ottawa?

MR. MILLIKEN: Yes sir.

THE CHAIRMAN: What have you this morning, Mr. Parker?

MR. PARKER: Whichever one Mr. Francis prefers.

MR. FRANCIS: I propose to take up the very brief statement submitted by the Kandahar Co-operative Association.

J. B. JONSSON,

President,
Kandahar Co-operative Association,
having been duly sworn
testified as follows:

BY MR. FRANCIS:

Q. You are the president of the Kandahar Co-operative Association? A. Yes.

Q. And you are a farmer? A. Yes.

Q. You have been in the district how many years?
A. Since 1907.

Q. You are familiar with the conditions in the Kandahar district? A. Yes, very much so.

Q. I understand that this short brief of yours was prepared by you and some of the directors and it has been discussed informally with most of your directors, and you have authority to come here on behalf of your association and present it? A. Yes.

Q. Will you now read it. A. It is as follows:

"The Kandahar Co-operative Association, Kandahar, Sask.

Incorporated under the Co-operative Associations Act of the Province of Saskatchewan.

"To The Royal Commission on Co-operatives:

"Gentlemen,

"For the information and consideration of your Commission, we beg to submit as follows:

"Location:

"Kandahar is a village located on the Canadian Pacific Railway at Section 21, Township 32, Range 17, west of the second meridian. North of the village is Big Quill Lake. Some nine miles east and north is Wynyard. Dafoe is about seven miles west, while Quinton is approximately thirty miles south. Thus Kandahar is the trading centre for a considerable area and the maintaining of retail trading facilities within the village would appear desirable to those living in the area.

"The Village:

"Within the village of Kandahar there is an up-to-date school, a post office, a restaurant, a livery barn, a telephone exchange, the municipal office of Big Quill R.M. #308, three elevators, a store, and the private residences of the inhabitants. By and large, the village is the community centre of the district."

The population of Kandahar is only 67. Continuing:

"Danger of Losing Store:

"In October, 1943, the proprietor of the only retail store in Kandahar decided to close out the business. Residents of the village and district saw themselves faced with the possibility that they would be without any retail store services. No person appeared to be prepared to take over the store business. It seemed apparent that the loss

of the retail store would have far-reaching effects on the village. As a trading and community centre it might disappear. It was at this point that the people turned their attention to the possibility of establishing a cooperative store in Kandahar.

"Kandahar Oil Consumers Co-operative Association:

"The Kandahar Oil Consumers Co-operative Association was organized in 1939. It supplied its members with fuel and oil, and so satisfactory were its services that practically every farmer in the district had become a member."

The only oil company that was doing business in Kandahar before the cooperatives started had to pull out a year and a half ago because all the business was going to the cooperative local. Continuing:

"To ensure the retention of retail store facilities in the village, the cooperative association undertook a canvass of the district. In spite of a poor harvest, shares were sold and loans secured to the extent of \$4,000. It is estimated that 97 per cent of the people in the district bought shares. The stock in the store was purchased, a capable manager was secured, and the Kandahar Co-operative Store was opened for business.

"The Record:

"This cooperative store has been operated over a short period. There are indications, however, that it is proving successful. At the end of one year's operation the stock was valued at \$7,000 and the turnover had reached \$40,000. The members have given their store their loyal support and appear satisfied with its services.

"Conclusion:

"The Kandahar Co-operative store operates on recognized cooperative principles. It was organized for the purpose of

serving the needs of its members and of the community. Where a cooperative can serve such needs it is making a distinct contribution to the social and economic life of the people.

"All of which is respectfully submitted,

Kandahar Oil Consumers Co-operative
Association

Per: J. B. Jonsson -- Secretary."

BY MR. FRANCIS:

Q. I have just one or two questions to ask you. Are there a number of nationalities represented in the Kandahar community? A. We have practically all the nationalities that are born in this country.

Q. Name them. A. On our Board we have two Germans, one Russian, one Norwegian, one Swede, and the president is an Icelandier. May I add a little to that?

Q. Yes. A. When we first came here as pioneers we had a little trouble among the different nationalities but in the last few years since we have organized and have been working together we practically have no trouble. We don't remember that there is any but one nationality, and in fact, in our community we live together as one family.

THE CHAIRMAN: You are all Canadians now?

THE WITNESS: We are all Canadians, sir, absolutely.

THE CHAIRMAN: Have you the usual statement and by-laws?

MR. FRANCIS: Yes. Instructions have been given to get them for all these associations so that there will be no need to raise that point every time. That will be arranged through the Saskatchewan branch of the Co-operative Union.

BY MR. FRANCIS:

Q. Is there anything else you would like to add on behalf of your community? A. Just this. When the people run up against something and don't know just how to meet it,

if they want to get together and cooperate they can help themselves to do anything. I thank you for your attention.

MR. FRANCIS: The next brief is from the Codette Consumers Co-operative Association Ltd.

W. E. MILLS,

Secretary-Manager,
Codette Consumers Co-operative
Association Limited,
having been duly sworn
testified as follows:

BY MR. FRANCIS:

Q. You are the Manager of the Codette Consumers Co-operative Association Limited? A. Yes.

Q. And you have been Manager for sixteen years? A. Yes.

Q. You were authorized by the Board of Directors of the Association to supervise the preparation of this brief, and in doing so you have followed the instructions of the Board? A. Yes.

Q. And you have been authorized and instructed to come here and present this brief to the Commission? A. Yes.

Q. Will you now present your brief. A. It is not a very long document. It reads as follows:

"Codette Consumers Co-operative Association Limited,
Codette, Sask.

"Incorporated under the Co-operative Association Act of the Province of Saskatchewan.

"To the Royal Commission on Co-operatives,
Regina, Saskatchewan.

"Gentlemen:

"For the information and consideration of your Commission we beg to submit as follows:

"Codette Consumers Co-operative:

"Codette is a small village situated on Section 1,

Township 50, Range 16, west of the second meridian."

I can point out on the map just where that is. It is in the northeast corner of the province. Continuing:

"The trading area about the village is somewhat limited due to the close proximity of Nipawin on the north, Carrot River on the east, Pontrilas on the south, and the Saskatchewan river on the north and west. The village is located on the Canadian Pacific Railroad.

"In 1929 the Codette Consumer Co-operative Association was formed by a group of farmers who felt that they could, through cooperative effort, provide themselves with goods more economically than was being done through non-cooperative outlets. This cooperative organization in its initial stages handled only twine and a few bulk commodities. As orders were placed funds were raised from the members to pay for the goods when they were received. Soon, however, there arose a demand for wider services, and as a result of several meetings the association decided to enter the retail store business, and to give the members as complete a store service as possible.

"Capital \$655 - Membership 81:

"A canvass was made for membership and capital. As Codette was, at that time, a relatively new district, in the homesteading stages, and as the depression was beginning to be felt, the canvass succeeded in securing eighty-one members with a total share capital of only \$655. The result was that initial services through the Codette Co-operative store were very limited, since all purchases had to be paid for in cash by the organization. Indeed it was often necessary to pay for goods before they were received. This led to a great deal of inconvenience and to some

limitation of services. The members, therefore, at the second annual meeting of the organization, unanimously approved a motion that until such time as the organization had sufficient working capital to enable it to give greater services, each shareholder would leave his savings in the association until he had built up a total of \$100 in these savings.

"Short History:

"The members, board of directors, and the management were determined to give, through their association, such services as might be recommended from year to year by the annual meeting. The result was that while the scale of operations for the cooperative store was not wide during the first year, these operations had their effect on price structure not only in Codette but in surrounding villages. In many staple commodities there was a price reduction of from 5 per cent to 10 per cent. This led to an increased interest in cooperative endeavour not only in Codette, but in neighbouring districts.

"Services Rendered:

"In its early stages the cooperative store handled mainly groceries. Some dry goods, hardware, oil, flour, and feeds were also handled. In time a full service in groceries, dry goods, hardware and petroleum products was provided to the members. The Codette Consumers Co-operative Association Limited, with other cooperatives, owns and operates the Saskatchewan Federated Co-operatives Limited. In so far as possible, goods are procured through this organization.

"Farm Produce:

"During the depression, when there was practically no money in circulation, the Codette Consumers Co-operative

Association rendered a service to its members by exchanging goods for lumber, farm produce and fuel wood. From 1932 to 1936 when the market for butter and eggs had almost disappeared, the cooperative continued to buy such produce even at a loss. This loss was through the cooperative, spread evenly over the whole community. The value of this trading service in farm produce at that time can be best understood by those who experienced the depression, and who were unsuccessful in securing such trading arrangements with non-cooperative businesses.

"Business Record:

"Over the years the organization had a steady growth. Sales have totalled \$1,141,000. The net worth of the organization is \$51,088. From an initial investment of \$655 by eighty-one members, savings to the amount of some \$23,000 have been turned back to the consumer in cash. Current liabilities amount to \$922.78. An amount of approximately \$10,000 is held in a deferred dividend account, while reserves equal the amount invested in buildings and equipment. These reserves have been built up over a term of eleven years, according to the wishes of the members. The members consider these reserves as a part of their cooperative savings that should remain in the business in order that the organization might build facilities, such as needed buildings and equipment, cooperative halls, recreation centres or other public facilities for the use of themselves and for the good of the community. The idea is to provide needed services for the people. The building of reserves has been discontinued four years ago, and a plan of retaining dividends has been adopted. Each customer with \$5 invested in share capital, or with \$5 accumulated dividend automatically becomes

a shareholder if he so desires. Every member must hold investment in the organization of five \$5 shares. After this equity is built up, all savings accumulated are placed in deferred dividends, on a three-year revolving door plan. This plan was adopted at a general meeting of the association.

"Membership now numbers 343:

"Almost every person in Codette community is a shareholder in the Codette Co-operative organization, and practically all business done by the organization is with these shareholders. No attempt is made to secure business from those not wishing to become members. Many of the privately owned stores in the community closed or went out of business during the depression. The cooperative store, however, has continued to give service to the public and has attempted to expand these services to meet public need. In this connection it could be pointed out that a privately owned butcher shop in Codette was closed. This left the village without a butcher. The cooperative association as a service to the people established a butcher shop, and although this shop was operated at a slight loss for a number of years, nevertheless it filled a needed place in the community. This is one example of the extension of co-operative services to meet needs even when a financial loss is involved.

"Annual Meeting:

"The association holds an annual meeting of its members. It has been the practice to invite all patrons, as well as 'teen-age boys and girls to this meeting. All present are allowed to take part in the discussions but only shareholders are entitled to vote. Full reports are submitted on business transacted. Detailed financial statements are

given and decisions reached in regard to all matters of policy.

"In 1943 a total of 178 shareholders attended the annual meeting. Also in attendance were forty-three high school students. It is interesting to note that at that meeting there were members of different religious faiths, of several different nationalities, and of diverse political affiliations, all working harmoniously together for the common good. Three members are elected annually to the Board of nine directors. Both sexes are eligible for election to the Board.

"The Board of Directors meets regularly once a month. In order to facilitate its work, the Board has formed three committees of three members each, an educational committee, a finance committee, and an expansion committee. Each of these committees brings a report on the work done during the year to the annual meeting.

"Educational Committee:

"The educational committee attempts to keep the members advised of the activities of the organization and the co-operative movement in general. It selects and encourages young people to attend cooperative schools, more particularly the University Co-operative School. Such students are required to submit reports to meetings in the community.

"Business Practices:

"The business practice has been to operate the organization as far as possible according to the Rochdale principles. In early years, however, it was necessary to give a certain amount of credit, but the association is working toward a strictly cash policy.

"The policy of the association has been to set prices so as to meet all operating expenses and allow a reasonable

margin. Employees are paid a fair salary and are sold goods at the regular prices. Thus they can share in any savings and become members of the association.

"Savings earned by the association through purchases made from Saskatchewan Federated Co-operatives Limited, when received by the association, are placed in the surplus account along with savings made by the association. These savings are distributed or allocated to the members on the basis of purchases made by them during the year.

"Share Capital Returned:

"If a member of the association leaves the Codette district, his share capital is transferred to the revolving door fund and is paid out according to plan, or may, in special cases, be paid out immediately. This automatically keeps the share capital in the names, or accounts, of purchasing members only.

"Differs from a Corporation:

"A cooperative organization differs in several ways from a joint stock company. For example: John Jones purchases goods from a joint stock company, but he can never become a shareholder by his purchasing, and only the shareholders reap the profits made. In a cooperative organization if John Jones buys one hundred dollars worth of goods, and if the savings of the association allow it to declare a 7 per cent dividend, then John Jones, the actual consumer, receives a 7 per cent rebate on the actual purchases he has made with the association. John Jones may or may not declare this dividend or rebate on his purchases when filing his income tax papers. For example, if it reduces his operating expenses, either on his farming or other business. it should be declared, but to the individual earning a salary only, it does not increase his income, but is merely

a saving in his regular purchasing, and should be considered the same as any saving or discount received on the purchase of food or clothing.

"The number of shares an individual member holds in a cooperative does not affect his influence in the operating of the business, as it does in the case of a joint stock company, because in a cooperative each member has the same voting power. There is no vote by proxy.

"The value of a share in a cooperative organization does not change in value as it may do in the case of a joint stock company. Anyone may become a shareholder in a cooperative organization, either by purchasing a share or through dividends credited to him or earned by him through the use he makes of the cooperative. The Codette Cooperative Association does not pay interest on share capital. The share capital each member is expected to hold is treated merely as his contribution to the operating of his business, and actually brings him no return, but is refundable in full when he leaves the district, or on proper notice, wishes to withdraw his membership whereas the returns received from a joint stock company depend entirely on the share capital held. Thus it appears that the business of a stock company is carried on for the purpose of making a profit on invested capital. In the case of a cooperative the business is carried on as a service for the benefit of the members, and the savings, if any, are returned as dividends not according to share capital but according to the use each has made of his organization. The savings retained in share capital and revolving door funds is the portion that each member must keep invested, and varies according to the use he makes of his organization.

"Codette Co-operative Pays Taxes:

"The Codette Consumers Co-operative Association has been for some years past the largest taxpayer in the village.

"Community Builder:

"In addition to its main store and warehouses, the association has tanks for petroleum products on the railway site, and has coal sheds in Codette and Pontrilas.

"Conclusion:

"The Codette Consumers Co-operative Association Limited has been organized to provide its members with goods and services. It returns its savings on a patronage dividend basis. It is merely an agency formed to do certain business for its members. It does not make profits and its savings have not been subject to income tax.

"All of which is respectfully submitted.

Codette Consumer Co-operative
Association Limited

Per: W. E. Mills, Secretary-
Manager."

BY MR. FRANCIS:

Q. Is there anything you would like to add to the brief? I have no questions.

THE CHAIRMAN: What is the University Co-operative School to which you refer on page four of the brief?

THE WITNESS: For some years past the cooperatives in this province, mainly the Co-operative Union, Saskatchewan section and the Co-operative Refinery, with the university, have sponsored a cooperative school for one week during the summer months at the University in Saskatoon. That is the one I refer to.

THE CHAIRMAN: You send your young people there?

THE WITNESS: Yes. I should have gone further than that and stated how many have gone, but I did not go into it in any detail.

BY MR. PARKER:

Q. On that same page, referring to share capital returns, you say: "If a member of the association leaves the Codette district, his share capital is transferred to the revolving door fund and is paid out according to plan, or may, in special cases, be paid out immediately." Do I understand that if a member withdraws, the share capital is transferred -- that a withdrawing member will never get his share if he withdraws? A. No. The way I tried to explain it was this. I thought I had made it clear. Suppose Jones has lived in our community for several years. He has built up share capital and received dividends and has a certain amount in the revolving door fund. On leaving the community, immediately he leaves we take his share capital and put it down in the first year of the revolving door fund, and the first year in which the door revolves that man gets his share capital out. It is a three-year revolving door and therefore in three years after that man has invested in the organization the share capital or revolving door fund will be automatically cleaned up and he is no longer in the organization.

Q. He gets it through the revolving door fund?

A. Every dollar that is his he gets back.

BY MR. ARNASON:

Q. With regard to reserves, apart from the dividends which are deferred or retained in the revolving door account, you say at the bottom of page two: "An amount of approximately \$10,000 is held in a deferred dividend account, while

reserves equal the amount invested in buildings and equipment." With regard to that reserve, the amount in reserve which equals approximately the value of buildings and equipment, have you tried to allocate it at all?

A. It has been the wish of the shareholders or patrons in our district, the consumers, that this be not allotted. They feel that this is their portion or contribution which they have put in and they leave it there. They have put it into the community and they are building something for the community in the following generation.

Q. It is a community fund? A. Yes.

Q. Granting that they want to have that amount retained as what might be called a community fund, do you see any objection to having that reserve allocated? A. No. As far as that goes, we have all the records and could allocate it all if we wanted to.

THE CHAIRMAN: No actual allocation is made, though?

THE WITNESS: No.

BY MR. ARNASON:

Q. One more question: Would you see any objection to allocating that reserve, and, when a member moves from the district or retires as a member of the association, paying him his share of that reserve as well as his share capital and the amount in the deferred dividend?

A. I see no objection at all and possibly it could be done quite easily. I might state, however, that that has not been the policy of some people that leave the district. We have had some people who left the district -- I could give names -- and in one case this man had put nothing into the organization. I mean, he had taken dividends out each year for seven years and when he left he took half

his investment out. In fact, he took the whole thing out and gave us a cheque back for half of it and he said, "I want this to form part of an educational fund in the community." I say that in order to make you realize that the people in our community are not cooperating just on the dollar and cent basis. I don't know whether I have the right to say this or not, but since I have been standing here something has been brought to my attention.

BY MR. FRANCIS:

Q. Is this within your personal knowledge and relating to this matter? A. Yes. I think it is information for the Commission. Listening to the different evidence in the last day or so, it was brought to the fore, I think quite clearly, that there were a certain number of retail organizations in the province who were in business during the depression. Now I would like to give you to understand that I have no quarrel with any individual retailer or retail merchants' association, but the feeling has been created, I believe, that the people in these communities owe something to the individual merchant. That may be right, but I would like to impress upon the Commission that there have been for many years in this province cooperative associations that also went through that depression. Not only that, but it seems to me that the foundation of any argument from that angle is not very strong.

I for one -- and I know the same thing is true of others in a similar position to myself -- am not one who desires to shoulder his responsibility, the responsibility for his own faults and mistakes, upon others. I have been a retailer for twenty years, and I have no wish to put any burden on the shoulders of young boys and girls coming back from France.

I am willing for one to bear my share of responsibility. I would say this: There may be a great oak tree standing out there. You can call it what you like, but it has many branches, and in my opinion many of those branches have become unhealthy. They have failed. There is a small movement today which you can call cooperative if you like; you can call it democratic if you like, in its true form. At present it is just coming through the ground. In my opinion we are faced with a second world war, to our sorrow, because we have found that great armies do not keep us from war.

We are all proud of our fleets and our air forces, but what have they done for us? And there have been Geneva conferences. Have they failed? To some extent. We have the Atlantic Charter. Have you heard very much about that in the last few months? Not very much. I say to you people today, and I hope I am not saying it in any spirit of criticism, that I trust you will realize that true co-operation is about to bubble over. I hope you people will give it your sincere thought.

THE CHAIRMAN: Thank you, Mr. Mills.

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Algrove Co-operative Association Limited

MR. FRANCIS: The next brief is from the Algrove Co-operative Association Limited and I would ask to have it filed without being read. It is not necessary to have it read and I will call attention to it in due course.

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J. C. WIGHTMAN,

Director,
Pioneer Co-operative
Association Limited,
having been duly sworn
testified as follows:

BY MR. FRANCIS:

Q. You are a director of the Pioneer Co-operative Association? A. Correct.

Q. And by occupation you are a farmer? A. Yes.

Q. I understand that this brief was prepared on instructions from the Board of Directors of your Association? A. Correct.

Q. And it was prepared by Mr. Wilson, Mr. Cowan and yourself? A. Yes.

Q. It was considered by a meeting of the entire Board and unanimously approved? A. Yes.

Q. The Board consists of six farmers of the Swift Current district? A. Yes.

Q. And you were sent here to present the brief? A. Yes.

Q. Will you read it. A. It reads as follows:

"Pioneer Co-operative Association Limited, Swift Current, Sask.

"Incorporated under The Co-operative Associations Act of the Province of Sask.

"To The Royal Commission on Co-operatives,
Regina, Sask.

"Gentlemen,

"For the information and consideration of your Commission we beg to submit as follows:

"Organization:

"The Pioneer Co-operative Association Limited was incorporated under the Co-operative Associations Act of

Saskatchewan on January 1, 1937.

"Objects:

"The Association was formed as an agency to provide for its members goods and services to meet their consumer needs on a non-profit basis.

"Territory Served:

"The offices of the Association are located in Swift Current and service is given to the territory lying within approximately fifty miles of that city.

"Lines Handled:

"Lines handled include petroleum products, groceries, hardware, coal and wood, tractor-auto accessories and repairs.

"Membership:

"Membership in the Association is approximately sixteen hundred (1600).

"Business Methods:

"The Association operates according to recognized co-operative principles. It purchases goods and services for its members and after making due provision for overhead and handling charges, it makes these goods and services available to the members. Any savings or earnings shown at the end of the year when the books are audited are returned to the members in the form of patronage dividends. The organization makes no profit.

"Business Records:

"Sales made by the organization during the period 1937 - 1943 were \$1,498,317. Net savings totalled \$136,679. Of these savings, \$130,679 has been distributed or allocated to the members in the form of patronage dividends. The balance of \$6,000 is set up in a statutory reserve account. Of the \$130,000 refunded as dividends, \$85,000 has been paid out in cash and the balance of \$45,000 is in the members'

deferred dividend account.

"Business with Members:

"The Association does approximately 90 per cent of its business with members. Its purpose is to serve its members and it does this to the best of its ability.

"The Association Pays Taxes:

"The Pioneer Co-operative Association is one of the large taxpayers of Swift Current. It pays all types of taxation which apply to its particular business.

"Conclusion:

"The Pioneer Co-operative Association has provided goods and services for its members in a manner acceptable to them. It has operated on recognized cooperative principles. It will continue to carry on its business in accordance with policies laid down by the members.

"All of which is respectfully submitted,.

Pioneer Co-operative Association
Limited

Per: W. A. Carefoot, President.
N. E. Cowan, Secretary."

I would like to remark that we do business with people of all nationalities. We have in the organization members who are French, some Mennonites and a considerable settlement of Germans who originally probably came from Pennsylvania, and we have our regular friends the Norwegians and Swedes, and of course people of British stock. But, of course, we are all Canadians, and we have all blended together in the Association.

Q. I notice your Association was incorporated on January 1, 1937? A. Yes.

Q. There was great distress in that period? A. Yes.

Q. Would it be fair to suggest to you that this association grew out of necessity? A. I believe so.

Q. That period was one of the worst we ever had?
A. I know you don't want anyone to take up time unnecessarily, but I may say we took over what was more or less a defunct organization, a gas and oil company. It was the demand of the people to organise a cooperative at this point.

BY MR. PARKER.

Q. Do you keep separate accounts showing the business done with your members and with people who are not members?

A. In this way, Mr. Counsellor. We of course keep accounts of everything sold but there is no selling over the counter and just taking money. Slips are made out. We have been on No. 1 highway and have done considerable business with people going through in cars, not as much as in normal times though we get a lot of it. We don't ask those people their names. These sales are made to them and we know what they are. We have the amount of business done at the end of the year and the amount credited to members and patrons, so that in that way we can make an estimate, and we figured we were at least giving the benefit of the doubt in regard to the amount of it. It would be less than is shown, not more.

Q. Do you keep a strict account of member business?

A. Yes. Every small detail is kept. We have a full account.

Q. And you subtract that from the total? A. Yes, and that is how we arrive at the conclusion.

Q. Have you ever paid provincial income tax? A. Not since we have organized under this heading.

Q. I mean provincial, at Regina, not dominion. A. We have paid all the taxes we were called upon to pay.

Q. Did that include any provincial income tax? A. I could not say that it would.

Q. You took over a down and out business?

A. Apparently so.

Q. That was a private business, non-cooperative?

A. Not cooperative.

Q. Since you started up, do you know of any non-cooperative businesses that have been put out of operation, or have gone out of business, by reason of your taking the business away and giving a little better price perhaps?

A. I can't think of any such. I don't mean that nobody has gone out of business, but no one can blame us.

Q. Did you sell at the same price as the others?

A. We sold at the general price. You have to have a certain amount of leeway. Sometimes an article may appear too high in our judgment and we may have a levelling of price on that.

Q. Give us an example. A. I will give you an example. Coal was at a certain price and we considered it was fifteen or twenty cents a ton higher than it should be. We went into the coal business and brought down the price an average of fifteen cents a ton. We believed we could do it and we did.

Q. And that forced the other people? A. Yes, and they are still in business.

Q. Coal represents a good deal of your business?

A. No. Oil is our big business. The others are a help, but oil is the big business.

Q. Did you find that the private concerns were selling oil too high? A. At the time we went into operation.

Q. How much did you reduce it? A. I could not swear to this, but approximately twenty-six cents a gallon was the price of bulk stuff. There was no Government tax, no provincial tax.

Q. Have you reduced your price half a cent?

A. At the start we did and the others came down, and we are running on a uniform price.

Q. You reduced yours and the others came down and since then you have been "even Stephen"? A. Yes.

Q. This petroleum is what you buy from the Federated?

A. No. We are too far away to make economical haulage. The bulk of cours is from Montana and the Calgary oil fields.

Q. You don't think that any stores in that community have been put out of business by reason of your coming into the field and giving better service and prices?

A. I don't think so.

BY MR. THORVALDSON:

Q. What kind of membership have you in your Association? A. Share membership. The shares are \$5. Two shares per member is our limitation.

Q. So that anyone can be a member by just holding a \$5 share -- or do you hold two shares? A. You must have two shares to be a qualified member.

Q. That is, a \$10 investment? A. Yes.

Q. Does that have to be paid in cash? A. No. We take 20 per cent in cash; \$1 on each share.

Q. That all has to be paid? A. Yes, and the rest has to be made up by earnings.

Q. So that all you have to do to become a member is to pay \$2, \$1 on each share? A. Could be, yes.

Q. How much share capital have you? A. Four thousand.

Q. And the rest of the working capital is made up how? A. At one time we borrowed considerable working capital. In my report there is an amount of \$45,000.

Q. That was put aside? A. Yes. I did not put

everything in this brief, naturally. Last year we paid the 1937 stuff. What was earned in 1937 we paid in the past year. It is like the revolving door fund.

Q. You paid out in cash \$85,000 in 1943? A. Not in 1943 but since we operated.

Q. I thought that was paid out of the 1943 profits; but \$85,000 is the total amount? A. Yes, since 1937.

Q. So you use your earnings, or savings as you call them, as your working capital and pay patronage dividend on the revolving door plan? A. Yes.

Q. And you paid in 1943 the 1937 earnings?
A. This business is left entirely to the members as they see fit to deal with it at the annual meeting, and they said last year that they preferred to have the 1937 earnings paid out. They lay down the laws.

Q. When you speak of a reserve of \$45,000, that is the total reserve you have? A. Yes.

Q. Have you allocated that to members' accounts?
A. Yes.

Q. All allocated to the 1,600 members you have?
A. Yes. Our 1943 is all allocated but 1944 is not allocated yet. We have not had the annual meeting.

Q. Have you paid anything out of the 1942 profits?
A. We paid out nothing. All we paid was 1937. We have not paid any of the reserve, but we have paid patronage dividend every year. We have our annual meeting and it is agreed what the amount of patronage is to be and we go through the books and that is the total allocated in the form of either cash or reserve dividend, and that is paid out as soon as the books can be completed.

Q. How often have you paid out patronage dividends?

A. Every year after we once had the first returns. The first would be 1938.

Q. In 1938 you started to pay patronage dividends?

A. Yes.

Q. And have paid patronage dividends ever since?

A. Yes.

Q. You have not filed a financial statement?

A. I believe the Chairman mentioned that he would like to have the statements filed.

THE CHAIRMAN: Mr. Francis has undertaken to obtain those.

THE WITNESS: Yes.

BY MR. ELLIOTT:

Q. From whom did you borrow? A. From the bank.

There was not much credit behind it. I was not on the Board then but the six farmers on the Board they considered a good personal risk.

THE CHAIRMAN: They guaranteed the loan?

THE WITNESS: Yes.

BY MR. VAUGHAN:

Q. How do you determine what to pay back on patronage dividend and what to hold? A. We discuss that at the annual meeting. Naturally the directors give a certain lead but they don't lay down the policy. The people there agree on the amount. In the early years it was smaller, 30 per cent. I would not be positive to 1 per cent, but last year they unanimously agreed -- there was no vote against it in the meeting -- to leave 50 per cent of the last year's earnings, that would be the 1942 earnings, into 1943.

Q. There is no agreement as to the amount. It is what is decided? A. A year ago our savings were \$30,000,

in 1943.

Q. How was that divided? A. Fifty-fifty after the meeting.

BY MR. ARNASON:

Q. All credited to the members? A. All allocated.

BY MR. ELLIOTT:

Q. You say that the directors give a lead?

A. They did not give a lien. That was borrowed without any lien; it was borrowed on their personal responsibility.

Q. I did not say "lien". I was repeating what you had said. You said the directors gave a lead. A. Well, in this way. You are all familiar with directors' reports and you know that the Board is working on these things the whole year. That should not give them the right to be dictators, but they naturally have an idea of the business line-up and they make certain recommendations, and if the shareholders see fit they will adopt the recommendations. There is nothing undemocratic about it.

Q. I was not objecting to it. A. Well, that is what I mean. One thing I would like to say is this. One of the reasons why the cooperatives, not only in their stores but in their activities all the way through, do particularly well throughout my whole district -- and I am acquainted with the whole district -- is the fact that we have tried from the start to get the people to realize that cooperation is not altogether a matter of dollars and cents, a matter of making five cents here and there, or getting the better of the other fellow, but rather that it is a means whereby people can live together and work together harmoniously.

THE CHAIRMAN: Thank you, Mr. Wightman. What have you now, Mr. Francis?

MR. FRANCIS: Before calling on the Sherwood Co-operative, I would like to make a statement with regard to the evidence of Mr. McKay. Mr. McKay was questioned regarding the percentage of mill output in connection with the export market, and it will be recalled that he spoke in round figures, stating at the time that he did not have the information before him but would verify the statements that he had made. He said at that time that the percentage that went to the export market in 1943 was 40 per cent. That is confirmed. With regard to the 1944 output of the mill, he believes he gave the impression that that also was 40 per cent -- the export percentage.

MR. PARKER: He said about the same.

MR. FRANCIS: He has checked that and advises me that it was 40 per cent that went to the domestic and 60 per cent to the export. That is his correction and I would like to have it on the record.

THE CHAIRMAN: If Counsel accepts that, it will not be necessary to put him back in the box.

MR. THORVALDSON: That is all right; that is 1944.

MR. FRANCIS: It is the reverse. Now, Mr. Chairman, the last consumer cooperative I wish to call is the Sherwood Co-operative Association Limited, which operates in the city of Regina. I will call Mr. McDermid Rankin.

McDERMID RANKIN,

Vice-President,
Sherwood Co-operative Association Limited,
having been duly sworn
testified as follows:

BY MR. FRANCIS:

Q. Before I proceed, Mr. Rankin, I believe it is the desire to have the third paragraph on page eight deleted.
A. Yes.

Q. You are a farmer? A. Yes.

Q. And you have been farming, I understand, for thirty-six years? A. Yes.

Q. For the last twenty-five years you have been active in the cooperative movement? A. That is right.

Q. And you are Vice-President of the Sherwood Co-operative Association Limited? A. Yes.

Q. You are the President of the Co-operative Union of Saskatchewan? A. Yes.

Q. That is an association representing the majority of the cooperatives in the province and is of an educational character. Is that correct? A. That is so.

Q. It would be fair to describe that association as the Saskatchewan section of the Co-operative Union of Canada? A. Yes, the provincial branch.

Q. You are in close touch, as President of that Union, with Mr. Good and the other officers of the National Union? A. Yes, working together closely.

Q. In addition to that, you are Vice-President of Saskatchewan Federated Co-operatives Limited? A. Yes, that is so.

Q. That is the organization whose brief was submitted by Mr. Robert McKay. A. Yes.

Q. And you were one of the members of the executive who prepared or reviewed that brief? A. Yes, that is right.

Q. I take it that the brief you are about to submit on behalf of the Sherwood Co-operative Association was approved by the directors? A. Yes. It was first of all argued in outline what they wanted and we appointed a committee composed partly of the staff and the executive to

prepare it. After it was prepared the executive reviewed it and deleted some portions, adding some others. Then when it was revised it was submitted to the Board of Directors and passed by them. The reason for asking for the deletion of that paragraph on page eight of the brief is that it was not unanimous. That paragraph was not unanimously adopted by the Board and so I spoke to some of the Board members and asked that it be deleted. I have a typewritten copy and the pages do not correspond exactly with the brief where they turn over. The reason is that I am troubled greatly with my eyes and it is easier for me to read the copy as I have prepared it for my own use.

THE CHAIRMAN: Would you prefer to have someone else read it?

THE WITNESS: If Mr. Francis cares to read it.

MR. FRANCIS: I do not mind reading it if that will relieve the witness. It will not be read as well but I will do the best I can. The brief reads:

"Sherwood Co-operative Association Limited - Submissions to
The Royal Commission on Co-operatives

"Introduction:

"These submissions are made on behalf of Sherwood Co-operative Association Limited, referred to hereafter as 'the association', a cooperative association incorporated on April 18, 1931, under The Co-operative Associations Act of Saskatchewan and amendments thereto.

"Organization:

"Membership in the association is established by the purchase of one share in the association by payment of \$1. This share entitles the holder to all democratic and economic privileges in the association:

"(a) The right of notice and attendance at all annual and general meetings of shareholders.

"(b) The right to vote on all resolutions coming before such meetings establishing, governing, or changing policy, etc.

"(c) The right to share in all savings made by the association in supplying goods or services to its members, the share of savings being in proportion to the volume of business done with the association.

"With respect to the distribution of savings, the by-laws provide that:

'The scale of patronage dividends (savings) payable to a patron or member may vary as between the different kinds and classes of commodities purchased by him from the association or services rendered to him by the association in such proportion as may be determined by the directors.'

"The by-laws further provide that:

'The whole or any portion of the patronage dividends (savings) due to a member may be retained in a deferred patronage refund account for the purpose of providing sufficient funds to carry on the operations of the association in accordance with its objects and after the said deferred patronage refund account, together with paid-up capital, is sufficient in the opinion of the Board for the operations of the association as aforesaid, the Directors shall at such time and in such manner as they may determine pay from the surplus to the member his portion of the patronage dividends (savings) so retained on the basis provided for in The Co-operative Associations Act.

'In distributing such patronage dividends (savings) the member who has had an interest in the said deferred

patronage refund account for a longer period of time shall be given preference over the member whose interest therein is for a shorter period of time, to the end that all distribution of patronage savings shall be made progressively in order of the length of time during which the respective members have had patronage savings retained.'

"These provisions in the by-laws may need some amplification for the information of the Commission.

"In the initial stages of the association, with varying margins on different commodities and the range of commodities being quite limited, it was decided in the interest of strict equity that all dividends would be allocated on a commodity basis. As the range of commodities widened the accounting cost of such procedure became prohibitive. Since the whole aim and object of the association was service at cost the shareholders decided that continuance of the cumbersome and costly commodity dividend defeated the purpose for which the association had been formed. Having in mind the maintenance of as great a measure of equity as was possible while securing the greatest economy and efficiency in business operations the members decided to break down the savings into three specific groupings:

"Group 1. Petroleum products on which there was a substantial margin and in which manufacturing as well as distributing savings were made.

"Group 2. Merchandise such as hardware, auto accessories, etc.

"Group 3. Flour, feed, coal, lumber, etc.

"Having grouped the commodities with similar margins the shareholders felt that any remaining inequity would be offset in the over-all picture by the fact that each member

would use the same range of supplies over a period of time.

"The retention of savings wholly or in part by vote of the shareholders has become standard cooperative practice in the past few years. The objective was twofold, first, to obtain the necessary funds to carry on the business of the association, and second, to maintain equity of investment based on the use made of the association's services. Under the old method of cooperative financing by which share capital investment per member was set at say \$50 or \$100, the farmer with a quarter section and consequently small demands for petroleum was obliged to match share capital dollar for dollar with the farmer with larger land holdings who quite possibly used the association and its facilities ten times as much. By making the qualifying share the nominal sum of \$1 and retaining dividends each member contributes to the financing of the association in direct proportion to the use he or she makes of its services.

"To the contention that to be truly cooperative savings should be paid out we submit that the shareholders either individually or collectively have a right to do as they see fit with what is their own property. As individuals they could decide to endorse the cheques covering savings and turn them back to the association for the purpose of furthering the objectives of the association and collectively they can and do decide to save the double transaction by authorizing the setting up of a deferred dividend refund account and having the savings allocated thereto,

"Reasons for Incorporation:

"In 1930 drought and depression confronted the farmers of the Regina Plains Area at almost the same time. With an exceedingly poor crop and prices slipping every day

(the price of wheat in the Regina area which in April 1930 stood at \$1 per bushel had fallen by January 1931 to 40 cents per bushel) the farmers were faced with the task of making every dollar, if possible, do the work of two. Moreover, in order to secure supplies with which to cultivate the land a large number of farmers were forced to apply for municipal relief orders for fuel, thereby mortgaging the coming crop. This made it doubly important that every dollar spent should provide the maximum of supplies. In spite of assertions to the contrary by the major oil companies the farmers were convinced that the price being charged for petroleum supplies was unreasonably high. As fuel costs were a major production cost in an already highly mechanized farming area, they decided to pool their purchasing power through the formation of a cooperative association as a purchasing agency and endeavour to reduce these costs by dealing as an association with the Acme Gas and Oil Company and the Puritan Oil Company. The results of the 1931 operations were amazing even to the most optimistic shareholder. With 130 members the 'baby' cooperative had provided for these members 141,523 gallons of gasoline and lube oils for \$31,473.39, on which a net saving was made of \$4,053.36.

"This demonstrated beyond a shadow of a doubt that the only difference between a small group of farmers owning and operating a threshing machine to get their threshing done at cost and a larger group owning and operating a business to secure supplies at cost was a matter of degree. Here was a practical technique whereby primitive co-operation such as well digging, house raising, etc., could be applied to more complex activities and the purchasing

power of associated members increased by the savings made by doing business for themselves.

"Expansion:

"Membership increased steadily and with continued success in supplying goods and services at a saving the demand arose from the membership for the development of wider services.

"Refineries:

"With some of the independent refineries eliminated in 1933-34, the association in conjunction with other co-operative associations in the Regina trading area established the Consumers Co-operative Refineries to ensure a supply of petroleum products for the member patrons. Once again savings resulted which were added to the association's distributive savings thereby making the purchasing power of the consumer's dollar even greater.

"Service Centre:

"As most of the members of the association operated cars and trucks in conjunction with their farming operations, filling station facilities were demanded by the members and provided in 1940. Urban dwellers now found it possible to secure mutual benefits by associating themselves with their farm neighbours as members of the association.

"General Expansion:

"The further expansion of the association's services has taken place as the combined farm and city membership has requested at annual meetings. A coal and fuel department was established on a rental in 1939 and in 1942 purchased outright and enlarged. In 1944 the purchase of the Glasgow Lumber Company added yet another cooperative service. In 1942 the Merchandise Centre was set up to handle hardware, flour, feeds, etc. Logically developing

from this and as a direct result of the repeated requests of the lady members of the association, a groceteria was established in 1944.

"At every point in the association's expansion the question at issue with the members in their discussions was not: 'What other variety of goods can we supply to someone else at a profit?' but 'What other variety of goods or services can we supply to ourselves with a saving for ourselves?'

"We attach hereto Table A showing operations and savings since incorporation.

"Taxation:

"The association has neither paid nor been assessed for income tax. The association in its operations pays all the licenses and taxes required by law. In Table B, attached hereto, we set out the operating statement for 1944. As heretofor this statement of operations and savings in greater detail will be submitted to the shareholders in annual meeting and the disposition of net savings decided by a majority vote of the annual meeting.

"Recommendations:

"The association submits that where a group of people associate themselves together for the purpose of helping themselves by providing services to themselves, and operate according to Rochdale principles under cooperative legislation, any surplus that results from their operations is a saving and not a profit and not taxable as such.

"We respectfully suggest that to tax cooperative savings would be as unreasonable as it would be to tax as income the difference between the usual day to day price of an article and the reduced price of the same article in

the seasonal or periodic 'sales' put on by the competitive retail trade. The only difference in the two savings is the time at which the saving is made available to the consumer.

"We further submit that business done for or services provided for non-members, which result in a surplus after all expenses have been met is not a saving to members but a profit in the same sense of the term as used by Joint Stock Companies. Since this is a profit and not a saving we concede that such surpluses created by non-member business should be taxed in the same way and on the same basis as any other profit.

"Conclusion:

"In submitting this brief we wish to state our honest conviction that no corporation or business pays income tax of itself. It merely acts as a collecting agency for the Income Tax Department and retains as a commission the residue of profits after taxation.

"The operations of The Sherwood Co-operative Association have convinced the members of the basic fairness and equity of cooperative democratic control of their own business. The benefits that accrue from cooperative association have not been financial only. By mutual self-help they have not only raised their economic status by reducing their operating costs but have acquired a new dignity and responsibility as democratic citizens. It is their belief that they as consumers have paid for every business that in any way has served them in the past, possibly many times. They are now determined that the facilities they pay for they will own and control for their mutual and social benefit by cooperative association. They are convinced that COOPERATION IS FREE ENTERPRISE in its

truest sense -- the principle of equal rights and proportionate benefits applied to everyday business."

.....

BY MR. FRANCIS:

Q. Glancing at the Operating and Saving Account, it is interesting to note that the net savings since the inception of the association amount to \$445,227.17, an imposing figure; and the volume of sales over that period has been \$2,696,461.96. If you wish to have the table read I shall be glad to read it, but that is a summary of it and Mr. Rankin can make any comments he likes on it. I do not propose to ask you any questions, Mr. Rankin. In view of your long record of service and your knowledge, the Commission would like you to add whatever you see fit.

A. I would like to call attention back to this Association, this particular one which was referred to here and the reasons it came into existence. I believe that at all times we are liable to lose sight of the real purpose when these organizations grow and continue expanding.

Back in those days, in 1931, as the brief indicates, conditions were extremely difficult. Someone yesterday submitted a brief that indicated that to you. I believe it was a merchant in that case. He referred to the drought, the dust and the almost impossible living conditions that prevailed at that time. That is when this association came into being, and there were two factors that had to be reckoned with. One was the elements over which we had no control; we had to face the situation and make the best of it. The other was man-made.

In that respect I could show how the tariff affects us in western Canada. Under those extreme conditions it was almost impossible at times to procure sufficient

implements to operate our land and produce crops. At such times we found conditions more intolerable.

However, this was our way out. Instead of crying out for help from the Government and other sources, which might be available or which we might have thought was available, we looked around for some instrument or some set-up which we could use as a purchasing agency to procure our supplies, which was the major item in the cost of production, the largest being petroleum products.

A few of us met and discussed these problems and at that time we decided that a cooperative association would be the set-up which we could and would use as that agency to purchase supplies jointly and so lower the cost of operation.

It was not our intention, we had no thought whatsoever, of entering into big business such as we have developed into. That was the farthest thing from our minds. It was the distress conditions which we were trying to solve on our own, and we put forward every effort it was possible for us to make to overcome those difficulties. That is an outline of the reasons for the association and its inception.

Later on, after operating for two or three years, we were again faced with difficulties. The spread was narrowed. It had become so narrow in the retailing end that we could not make a saving worthwhile to accomplish our end. Therefore a few of us got together. The situation had been discussed at many meetings in the southern part of the province and a few of us got together down the street -- in fact, six of us -- and in spite of what we regarded as the audacity of the thing we decided there and then to build a refinery, to procure our sources of supply; and from that meeting we sent out a call a week

later to all other cooperatives around the district within a reasonable radius to join us in establishing that source of supply known as the Consumers' Refinery.

That was really the beginning; and that was, we might say, forced upon us by conditions. It was no desire on our part to go into big business, but there was no one else to come to our rescue. There was no one else who appeared to be willing. I myself, over a long period of years, had been buying my supplies from the ordinary source, the major oil companies, and got as fair treatment there as I could wish under ordinary trading conditions; but all the time I knew I was paying too much, and in that respect I had some experience because I was one of the pioneers in the use of the internal combustion engine on the Soo lines.

In 1910 I broke up some 3,000 acres of these Regina plains, but the question of supplies was one that had to be coped with. It was a large item of our expense, which was keeping us operating costs, and during the dry years we had difficulty working the land. We could not work the land to its fullest. In that way, by reducing our operating costs, it might be argued of course that in organizing the cooperative association we were not paying income tax in the corporation. Nevertheless we did put ourselves in a better position. to pay taxes, not only income taxes but municipal taxes, and we maintained our schools and so forth throughout the community, and that was happening in many parts of the province at that time.

Other organizations joined with us in our endeavour, so that as we developed better farming while lowering our costs we could meet the export trade with special reference to the commodity that we were producing, namely, wheat. We were able to lower costs and endeavour to meet the conditions

that prevailed. That had to be done in order to meet world markets.

I might state further that by so doing, if we were avoiding any tax on the cooperative movement we were increasing the national revenue to the extent of our increased production. Of course, over all it had its effect on many businesses and on many people by creating a greater ability to pay taxes. I might enlarge a little perhaps on the manner in which we financed, if that is your wish.

THE CHAIRMAN: That might be brought out by questioning.

BY MR. PARKER:

Q. There are one or two questions I might ask you, Mr. Rankin. Will you look at page two of the brief. Quoting from the by-laws, you say: "....the directors shall at such time and in such manner as they may determine pay from the surplus to the member his portion of the patronage dividends (savings) so retained on the basis so provided for in the Co-operative Associations Act." Do I understand that according to your set-up that is purely in the discretion of the directors, as to how much and when they shall pay it? A. They have given that power to the directors in this way, that at the organization, when these by-laws were prepared and submitted to the members, they passed on them.

Q. The point is that the ultimate decision rests with the directors and not with the shareholders? A. I cannot admit that.

Q. Except in this sense, that if the directors do not do what the shareholders wish they can be replaced with new directors? A. I would explain what it is in practice. I have the annual statement. What is allocated there will finally be decided on at the annual meeting. If they want

to dispose of it, it is their business to do as they like. We are the directors, and I have always been emphatic on that point. We are there to carry on the business from one annual meeting to the next according to the instructions laid down at the annual meeting. While powers may be given us in the by-laws, in practice we make a submission to the annual meeting.

Q. On page three of the brief you explain that you have divided the members into three groups according to the commodities dealt in, namely, petroleum, merchandise such as hardware, auto accessories, and so on, and in the third group, flour, feed, coal, lumber, etc. In the first group, petroleum products, you say "there was a substantial margin, and in which manufacturing as well as distributing savings were made." It is true that your business, in part, carries on a manufacturing process. You are carrying on manufacturing?

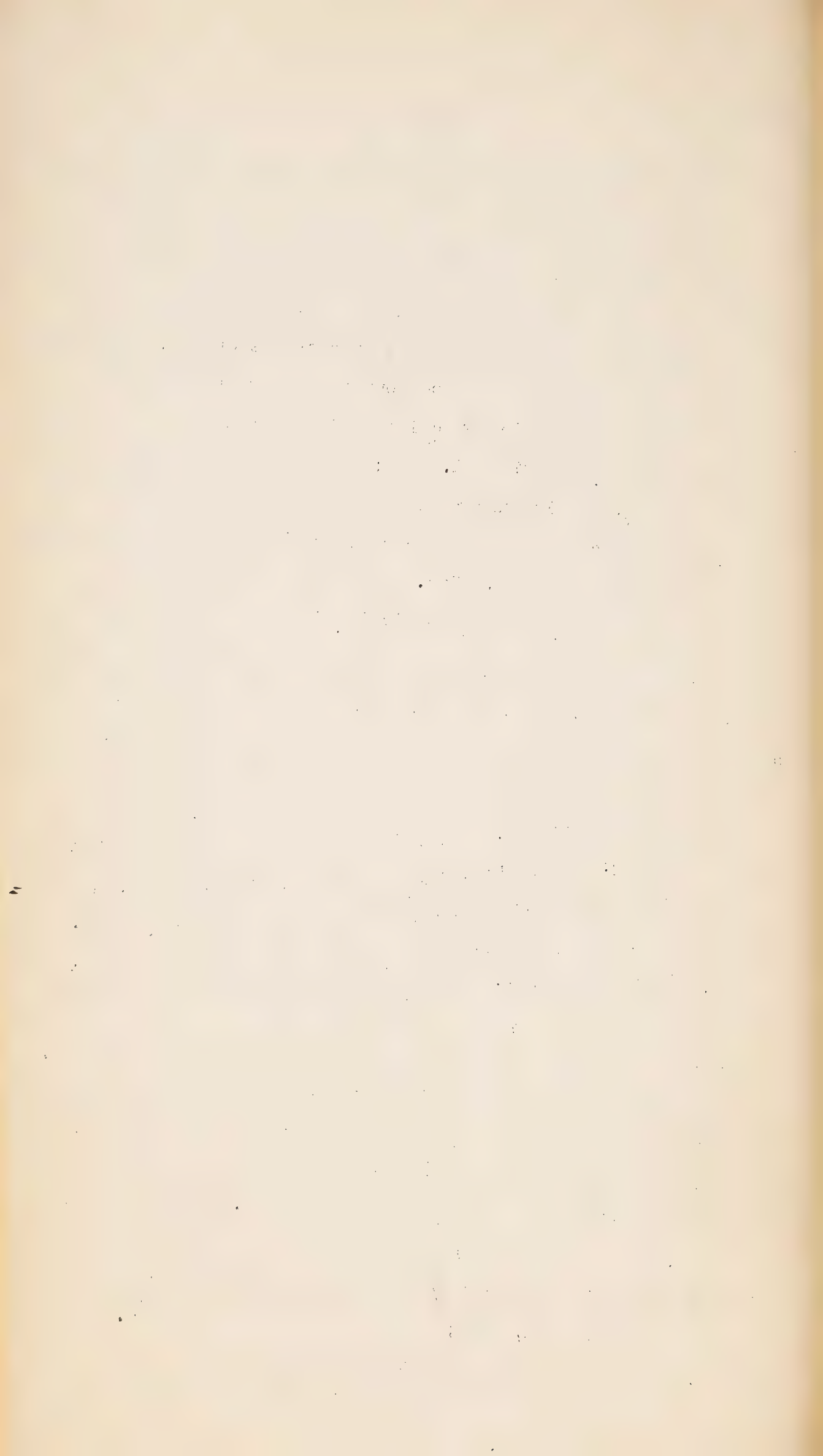
A. Not directly in our business; not in this association. We have investments in the organization that is manufacturing.

Q. Is it your view, and do you operate on the principle, that manufacturing establishments, manufacturing cooperatives can carry on business and be exempt from taxation, or do you consider section 4 (p) limited to producer and consumer activities? A. 4 (p) is too deep for me.

Q. We won't ask you about it. I wish we had had some answers like that from some of the others. One other question. I gather from your remarks that you started out with the intention of doing business in a small way to meet immediate needs? A. Yes; we started as a small group.

Q. I also understood you to say that more or less from force of circumstances you grew into what you call big business? A. Yes.

Q. Without any particular intention at the start of



entering into big business? A. Yes. It has been alarming to me sometimes.

Q. And it is true that your company is carrying on what is now known as fairly big business? A. True.

Q. Whether the business is small or great cannot, I suggest, affect the general principle as to whether you should be taxable or exempt. Do you agree with that?

A. It should not affect the principle, if a larger group of people want to do business that way and they come to us as membership.

Q. Do you operate on the principle that the reason for starting business had something to do with determining whether these savings should be taxable or not? Do you think the motive, the reason or purpose in entering business had anything to do with it? A. The motive behind it?

Q. I will put it in three ways: the motive, the intention or the purpose which your group had in the beginning in setting up a cooperative. Do you think that can have anything to do with determining the question whether these savings are taxable moneys. A. Yes.

Q. Why? A. In this little instance, when this organization came into being we were endeavouring to solve our own problems.

Q. But is not that what any company does -- try to solve some of the problems which the people connected with it would like to have solved, that is to say, to get more money so as to be better off and have better economic conditions by getting more money? A. To get more money, yes.

Q. And to better conditions? A. Yes.

Q. Is there any difference in the motives, the purposes and the intentions as between those two cases?

A. Yes; I think there is a great deal. I would refer you back to the condition where no one came to our assistance to maintain that production that should be maintained.

THE CHAIRMAN: Do you find it more difficult to adhere to your principles now that you have grown to great proportions?

THE WITNESS: I don't think it is more difficult. I will admit that we have some difficulty in keeping people out who should not come in. In that connection I might say, if I may be permitted to do so, that it is only a short time ago that we turned down business in lumber that came to us. We turned down an order for a carload of lumber that we would not want to handle.

THE CHAIRMAN: Speaking of Sherwood?

THE WITNESS: Yes. They were not willing to accept the price.

BY MR. PARKER:

Q. I notice from the statement giving the operating and saving account that the savings over the period from 1931 to 1944 represent about 16 per cent of what you call your patronage volume sales. That is a pretty good margin?

A. Yes. I thought the price was too high when we paid twenty-six cents a gallon. The margin went somewhere.

Q. So you have been able to save that 16 per cent?

A. Yes, and turn it back to the community.

Q. There are one or two explanations I would like to get in connection with the figures you give under the head "Expenses". You set out truck and business licences and so on, salaries and wages, depreciation on buildings, equipment, trucks and "other expenses". Those items under "other expenses" amount to \$18,000 odd. What other expenses

are there? A. They are made up of many items.

Q. Give a few of the larger ones. A. For one thing, we have the expenses of the annual meeting, directors' expenses, travelling and so on.

Q. Do you pay the members for coming to attend the annual meeting? A. Their travelling expenses are paid.

Q. Ordinarily, in a joint stock company, if they paid travelling expenses to attend the annual meeting they would have a much bigger attendance, don't you think? The reason I mention that is that we have heard many times what a democratic institution this is and how well the members attend meetings. Perhaps that explains it, because the corporation pays the expenses and the living expenses, I suppose, while those attending are in town. Is that what they do? A. We pay certain expenses.

Q. You pay travelling expenses and hotel and living expenses while they are in the city attending the meeting? A. You are speaking of the members?

Q. Yes. A. Oh no. We don't pay the members.

Q. Just the directors? A. It was the directors I was referring to.

Q. That would not take up very much of the \$18,000. What are some of the bigger items? It is about a third of the total expenses for the year and you have lumped it all under "other expenses". I would like to know what they are.

A. Of course, in the business we operate there are many items that I cannot recall.

Q. Heat, coal, fuel -- would that be included?

A. That would be included.

Q. I do not want them in detail but one or two examples. Are we going to have a detailed statement giving the breakdown?

MR. FRANCIS: Yes; that will be filed. We will file that.

BY MR. PARKER:

Q. Is Sherwood a member of Saskatchewan Federated Co-operatives? A. Yes.

Q. And you got back from them this year \$2,658.07?
A. That is earnings or patronage dividends or savings that are made.

Q. It is the patronage dividend that Sherwood received from the wholesale? A. Yes.

THE CHAIRMAN: As a member?

THE WITNESS: Yes.

BY MR. PARKER:

Q. Based on the amount of business you did with the wholesale? A. Yes.

BY MR. ELLIOTT:

Q. Did you actually get that, or does that represent the total amount credited on the books? A. That is the total amount credited at the present time.

BY MR. PARKER:

Q. On the books of the Federation? A. Yes.

Q. You do not get it actually in cash? A. No.

Q. The same thing would apply to the Consumers Co-operative Refineries, the next item? A. Yes, just the same. That would be the manufacturing that was referred to.

Q. There is a credit and ultimately a cash payment that this Consumers Co-operative gets by being tied up with the oil refining business? A. Yes.

Q. And it will in due course find its way back as a rebate or refund to those who patronize your business?
A. Yes.

Q. And you do not consider that a profit?

A. I would not attempt to argue the word "profit". It is foreign to me. It does not mean anything to me really.

Q. I am surprised to hear you say that. Where you purport to quote your by-laws, on page two, I notice you have these words: "In distributing such patronage dividends", and in brackets you put the word "savings". Is that in the by-laws or is it thrown in by you? A. That was inserted there as an explanation.

Q. That is not in the by-laws? A. No; that is explanatory.

Q. Why did you put that in? If the by-laws call them dividends how did you think that would help the Commission by calling them savings?

THE CHAIRMAN: Was it because someone might call them profits?

THE WITNESS: It was to give our interpretation of what it was.

BY MR. PARKER:

Q. Of what dividend meant? A. Yes.

BY MR. NADEAU:

Q. How many shares do you own of the Federated Cooperatives? A. One.

Q. Do you own any shares of the Refineries as well? A. Yes.

Q. How many? A. I could give that in the total amount. I could not segregate it from the revolving fund and the shares, but together the Federated and the Refinery amount to about \$100,000. Part of it is share capital and part is revolving fund.

Q. Have you any written agreement with Federated Cooperatives? A. No, only as members, as joint owners, as a

member association of the Federated Co-operatives.

Q. As joint owners? A. Yes.

Q. With other consumer cooperatives? If I understand correctly, you own it together with other cooperatives?

A. That is right.

Q. Have you, either with the Federated or with other consumer cooperatives, any written agreement? A. Not that I can recall.

BY MR. ARNASON:

Q. Would you say that your rights, in so far as Federated Co-operatives are concerned, are set forth in the by-laws of the Federated? A. Oh yes.

BY MR. NADEAU:

Q. But there would not be an agreement? A. Outside of that, no.

Q. Have you any membership application for your members? A. Yes, we have. It is our instruction that everyone who comes to make a purchase be asked to become a member. We like to discourage people becoming members if they are not willing.

MR. FRANCIS: I have the application form here and I will file it.

THE WITNESS: I referred to lumber. A demand was made on us for a carload of lumber but these people did not want to become a member, and we told them that we did not want to do business with them.

BY MR. VAUGHAN:

Q. Why would they not want to be a member when they could get the benefits of membership? A. I don't know. I have no information.

MR. THORVALDSON: If Mr. Francis would give me the financial statement I could examine the witness more

intelligently -- that is, a complete financial statement giving the profit and loss account, the balance sheet.

MR. FRANCIS: It is not filed.

MR. THORVALDSON: I do not see how I can intelligently examine Mr. Rankin without the financial statement.

MR. FRANCIS: There is one here. It has not been filed but it can be made available.

BY MR. ARNASON:

Q. This statement has not been submitted to your annual meeting? A. No. This annual statement has not yet been approved by the annual meeting.

MR. PARKER: Well, have you last year's?

MR. THORVALDSON: If it has not been prepared by the firm's auditors I can use it, and if there are errors the witness can point them out.

MR. FRANCIS: I do not think there is any objection.

THE WITNESS: None whatever.

BY MR. THORVALDSON:

Q. What is the membership of the Sherwood Co-operative Association? A. I can give you the last consecutive number. We number each member as he comes in.

Q. I would like to have the total membership, or as close to it as possible. A. I can give the total number as I have it, but all are not active. Some have died and some have been released.

Q. What is the total number? A. Approximately 4,400.

Q. Are they all farmers? A. No; that is, I don't think they are.

Q. How many are farmers? A. I could not tell you.

Q. Would there be a thousand farmers in the membership? A. Yes.

Q. Could you give us a definite breakdown of the number of farmer members in the organization and the number of city dwellers? A. I don't know how accurate that would be because we have many farmers who are living in the city.

Q. You said a while ago that you did not know much about 4 (p), but you know it says something about farmers' organizations? A. Yes, I am aware of that.

Q. How many city dwellers are there in your membership of 4,400? Surely you must know that? A. No, I don't.

Q. My information is that the majority, in fact a considerable majority of your membership are city people. Can you tell me if that is approximately correct or not? A. It is not correct according to my understanding at the present time.

Q. Do you think you could have the officials of your company get that information? Someone must know that? You have the addresses of your members, have you not? A. Yes. We could get at it as closely as it is possible if we knew how to distinguish the farmer who is living in the city. We have many of them living in the city at the present time.

Q. You have made no effort to distinguish between farmers and other members? A. I cannot say that we have. I have raised the question many times and discussed it to find out whether it was possible or not. As I say, it has been discussed but we made no attempt to do it.

Q. Did you not say a moment ago that someone wanted to buy a carload of lumber from you and you would not sell because that someone would not become a member? A. That is correct.

Q. Was that a farmer? A. No; that was not a farmer.

Q. So that that person could have become a member also. Is that right? He could have become a member for a dollar? A. Possibly so.

Q. Let us be frank. You said that this person who wanted to buy a carload of lumber refused to become a member and therefore you would not sell that lumber. A. Yes.

Q. If he had paid the dollar and had become a member you would have sold him the carload of lumber? A. I don't know. It would have to be passed by the board.

Q. Does it have to be passed by the board as to whether you sell goods? A. As to whether he becomes a member.

Q. Your store is on a street in Regina? A. On the main street.

Q. If I go into your store will you not sell goods to me? A. I can hardly answer that question directly because I know that the board has instructed the management to discourage non-member business and to ask them if they wish to sign the application.

Q. The question is: If I go into your store will you sell goods to me irrespective of the instructions of your board to the management? Will your manager as a practical matter sell me goods if I come to your store? A. That is in his hands.

Q. Whose hands? A. The management.

Q. What is your position in the business? A. Vice-President.

Q. Are you not actively engaged in the management of this company? A. No.

Q. Oh, you are not? A. No.

Q. You don't work in the store? A. No.

Q. Or have any connection with the business? A. No.

I work on the farm.

Q. Can you get us that information during the day, as to whether I can go into your store and buy goods? I will try it at noon, but I can get the information more easily through you. A. Anyone coming into the store, if the management follows out our instructions, will be asked to sign an application.

Q. Anyone coming into your store? A. Yes.

Q. If I went into your store and they gave me an application form to sign, no one would ask me if I was a farmer or not, would they?

MR. FRANCIS: They would know.

THE WITNESS: What they would ask you I am not in a position to say.

BY MR. THORVALDSON:

Q. You said anyone. Do you want to withdraw that? If anyone goes into your store the management will ask them to sign an application form for membership? A. I am not saying he would; I am saying those are his instructions.

Q. How often does your Board of Directors meet?
A. Once a month.

Q. Do they at that time consider all applications for membership? A. Yes.

Q. What types of members do you refuse to admit?
A. Well the question, as I said, has been discussed in regard to the city members but no action was taken.

Q. So you have never refused to admit any member who paid his dollar and signed the application? A. Yes, we have refused some.

Q. How long ago? A. I cannot recall any in the last few months but we had some that came from outside points.

Q. Like Winnipeg? A. No, outside what we consider our territory. We did not consider that they should be our members.

Q. But you have not turned down any person who applied from the city of Regina? A. Not that I know of.

THE CHAIRMAN: We shall be interested to know after lunch whether you have tried the experiment, Mr. Thorvaldson.

MR. THORVALDSON: I may try it, sir.

MR. PARKER: Perhaps he will produce the sales slip as an exhibit.

BY MR. THORVALDSON:

Q. Has the membership to be paid in cash? A. Yes.

Q. That cannot be deducted from the patronage dividend?
A. I don't know that I have read the by-laws.

Q. I am not speaking of the by-laws. I am speaking of the practice of the firm. Does the membership have to be paid in cash? A. Yes.

Q. You said some time ago that your management was instructed to encourage persons who buy from your store to apply for membership. You said your Board of Directors asked your management to encourage people to do so.

A. No. I did not mean to leave the impression that they encouraged them, but if they wished to deal with us they would be asked to become members. They do not wish to deal with other than members.

Q. To make a long story short, if the general public goes into the store to buy do you sell to them? A. I have asked for that information from the Treasurer recently as to what percentage of non-member business we do.

Q. That was not the question. I will deal with that when I come to it. Do you sell to the general public?
Does your store sell to the general public? A. No. We

sell to our members.

Q. Do you sell to people who come in to buy, people who want a stick of chewing gum or anything you have to sell? Do you sell to them or do you turn them down? In other words, do you refuse to sell to the public? A. There is no question but there are some that are sold to, and in the general public outside there are members as I was going to indicate by the percentage.

Q. Can you not answer my question: Do you or do you not refuse to sell to the public? If you cannot answer the question can you point to anyone in the management who can answer it? A. We have refused.

Q. But do you as a general rule? Try to answer the question. Do you as a general rule refuse to sell to the public? I am sorry this is taking far longer than I expected. A. I am not saying we are unwilling to sell to the public because we are not.

THE CHAIRMAN: Isn't the answer this: "Our instructions are not to do so; I do not know whether it is done or not"?

THE WITNESS: That is the answer, sir.

THE CHAIRMAN: We had that ten minutes ago.

BY MR. THORVALDSON:

Q. I tried to get what was done apart from the instructions. You are Chairman of the Saskatchewan section of the Co-operative Union of Canada? A. Yes.

Q. So that you are as well versed in cooperative principles as anyone in Saskatchewan? A. If you wish to put it that way.

Q. You are perfectly well satisfied that your system of membership, dollar membership, complies with the Rochdale principles of cooperation? A. Yes.

Q. You are satisfied as to that? A. Yes.

Q. Now, has your concern tried to do business at cost? You do business as any other concern does -- you sell goods at current prices as any other store does, do you not? A. We try to.

Q. You don't try to do business at cost. That is the point. I will not pursue that. Do you pay patronage dividends? A. Yes.

Q. How often do you pay patronage dividends? A. Yearly.

Q. What is your policy with respect to patronage dividends? Have you the revolving door plan or some other plan? A. We adopted the revolving door plan at the last annual meeting. We had had it in effect previously to a small extent but the annual meeting in 1940 authorized us to withhold 10 per cent of the patronage dividend. That was in 1940, if I recall.

Q. Withhold? A. 10 per cent of the patronage dividend.

Q. For what purpose? A. For carrying on the business.

Q. You pay 90 per cent of your profits in patronage dividends? A. Yes.

Q. When was that decided upon? A. That was after the reserves were set up.

Q. Then you decided to pay 90 per cent of the balance in patronage dividends? A. Yes. That was put into effect, I believe, in 1940. I think so, speaking from memory.

Q. Do you pay these patronage dividends in cash? A. Some are paid in cash and some are paid in goods, whatever way they wish to have them, and some are withheld.

Q. So you do pay patronage dividends in goods?

A. Yes, we have done that.

Q. What proportion of them is paid in cash?

A. Last year I think they were all paid out in cash.

That was decided at the annual meeting.

Q. What year? A. Last year.

Q. 1943? A. Yes.

Q. Were they all paid out in cash? A. That is all that was to be paid out.

Q. What proportion was to be paid out? A. The annual meeting decided that 50 per cent was to be paid out.

Q. Was it paid out in cash? A. I think so. All that 50 per cent was made available by cheque.

Q. What was done with the other 50 per cent?
A. It was held for financing operations.

Q. Whose operations? A. Of the association.

Q. Of your association? A. Of the members.

Q. The other 50 per cent was held back to finance the operations of your association. Is that correct?
A. Yes.

Q. Are you sure of that? A. Well, you can put it the other way -- to operate the organization which belongs to the members.

Q. What organization was that 50 per cent used to finance -- the Sherwood Co-operative Association Limited?
A. Yes.

Q. And what about the 1944 profits? Have they been allocated or paid out yet or anything done with them?
A. They have just been allocated on the books and the annual meeting will decide exactly what is done.

THE CHAIRMAN: That is the \$64,275.71 shown on the last page of the brief?

THE WITNESS: Yes.

THE CHAIRMAN: None of that has yet been paid out?

THE WITNESS: No.

THE CHAIRMAN: Of the \$51,206.10 in 1943, what proportion was paid to the patrons?

THE WITNESS: Some \$25,000.

THE CHAIRMAN: That is, 50 per cent?

THE WITNESS: Yes.

BY MR. THORVALDSON:

Q. And the balance was held back? A. Yes.

Q. Was it allocated? A. Yes. If it would explain the matter, I have a statement showing exactly how it is dealt with.

BY MR. FRANCIS:

Q. This is your own case? A. Yes, what my share in the organization is. I know that only.

MR. FRANCIS: This would be helpful. It shows clearly what happens.

THE CHAIRMAN: Very well.

MR. FRANCIS: I will file ten copies.

BY MR. THORVALDSON:

Q. Now, Mr. Rankin, I notice in your financial statement, on page two of the 1944 financial statement, that you have in connection with your members an amount of \$4,090?

A. Yes.

Q. That is your one dollar membership? A. Yes.

Q. And you have the Saskatchewan Federated Co-operatives Limited quota, \$49,000 odd. What is that quota?

A. That is the investment we have or, you might say, the

members have in the other organization.

Q. Does the Saskatchewan Federation owe that to your members or to your company? A. It is reinvested into the Federation.

Q. I notice under members' quota, Saskatchewan Federated Co-operatives Limited, deferred patronage refunds, \$50,000. What is that? A. That is what has been held back, which we have not received yet.

Q. That is deferred patronage dividends that are payable to you some time by the Co-operative Federation, is it not? A. Yes, that is correct.

Q. So that your investment in the Co-operative Federation is approximately \$100,000? A. That is correct.

Q. So that instead of doing as was suggested, namely, that the Co-operative Federation was financing the stores, the fact is that you are financing the Co-operative Federation to the extent of \$100,000? Is that right?

A. For furnishing us with supplies, yes.

Q. They owe you approximately \$100,000? A. Yes.

Q. You finance them to that extent? A. That is right.

Q. And as a matter of fact most of your profit of \$64,000 for 1944 is tied up in that \$100,000, is it not?

A. Most of it? No.

Q. Most of it. Will you not agree that practically all of that \$64,000 of profits for this year is tied up in the liability to you of the Co-operative Federation?

A. No.

Q. It is not? A. No, it is not.

Q. Could you pay any patronage dividend in cash?

A. This year?

Q. Yes. A. Yes.

Q. Despite this \$100,000 liability? A. Yes.

Q. You referred to an annual meeting. When was your last annual meeting? A. Last January.

Q. How many were at it? A. Oh, probably 600.

Q. Is that fairly close to correct? A. Well, somewhere around that. I don't just remember. It was as well attended as others. Six hundred or something like that.

Q. With reference to the directors of your organization, are any of your directors also directors of Consumer Refineries? A. Yes.

Q. All of them? A. No.

Q. How many of your directors are also directors of Consumers Co-operative Refineries? A. Just myself.

Q. And how many of your directors are also directors of the Co-operative Federation? A. Of course, the two have one board.

Q. So that your directorates are interlocking in St. James Street fashion? A. Absolutely.

Q. So that you have the same directors for Sherwood? A. No, not the same.

Q. I thought you said the same. A. No. I am the only one of the Sherwood Board -- no; there is one other but he has put in his resignation on account of sickness. I am really the only one now.

Q. Can you tell me how much you paid in patronage dividends since you began business -- in cash?

A. I can't tell you.

Q. Can you give me an estimate of that?

A. It is very difficult.

Q. Approximately? A. No.

Q. I would like to know the percentage of all your profits you have paid. You give in your brief the total profits since you began, amounting to \$445,000 odd. That has been paid out in cash dividends? I asked you what percentage of that has been paid out in cash dividends.

A. It was all made available if they wished to have it.

Q. It was all allocated? A. Yes, and they could have had it in cash if they wished to, at the annual meeting.

Q. How much has been paid in cash? A. Mr. Shaddick, the Treasurer of the Association, can answer that.

MR. SHADDICK: Within a thousand or two of \$215,000. That is an approximate figure.

THE CHAIRMAN: That is, 50 per cent?

MR. SHADDICK: Yes.

THE WITNESS: I haven't got accurate figures. I would have to quote from memory.

BY MR. THORVALDSON:

Q. You are not an affiliate of the Co-operative Federation? A. No.

Q. I presume, as you say on page two of your brief, the directors determine from time to time how the surplus shall be disposed of? That is determined by the directors from time to time? A. No. We put it to the annual meeting in practice.

Q. Does your annual meeting have to be unanimous or is a majority vote sufficient on that point? A. A majority vote.

Q. Mr. Parker mentioned to you about your total miscellaneous revenue of \$12,159.59? A. Would you mind if the Treasurer explained that?

THE CHAIRMAN: If you are going to examine another

witness he had better be sworn.

H. G. SHADDICK,

Treasurer,
Sherwood Co-operative
Association Limited,
having been duly sworn
testified as follows:

BY MR. THORVALDSON:

Q. You have a miscellaneous revenue of \$12,159.59. These are not trading profits, are they? A. I think you are mistaken. There is no such thing as miscellaneous revenue of \$12,000.

Q. You have here a figure, \$12,159.59? A. We have miscellaneous savings of \$1,040.52.

Q. What are those -- rentals? That is what you call miscellaneous savings? A. Yes.

Q. What is that? A. \$170 interest, which was Victory Bonds; commissions \$300; cash overages \$112. I would like to point out that our auditor, when he audits the records of the association, may change some of these accounts. There is an item of insurance commissions of \$12.75. There is a building which we rent, adjacent to our store premises, at \$47, and another building the rental of which is \$462.

Q. Those are net rentals? A. On the \$462 item, \$40 a month is charged to our own office expense in that account, so that if that was deducted from it there would be a net loss on that building of about \$18.

Q. On that amount and also on dividends from Saskatchewan Co-operative Wholesale Society -- that is now the Federation? A. Yes.

Q. And dividends from the Consumers Co-operative Refineries, totalling \$12,159, you pay no income tax? A. I hope not.

Q. You pay no income tax? A. No.

Q. Do you know the number of farmer members you have?
A. Only approximately.

Q. What is it? A. Of our 4,000 members the ratio would be 18 in 22 in favour of the farmers.

Q. Why do you use that ratio? A. 1,800 to 2,200 approximately.

Q. You think you have about 1,800 farmers?
A. No, 2,200 in favour of the farmers.

Q. 2,200 farmers? A. Yes.

Q. And the others are city dwellers? A. Yes.

THE CHAIRMAN: Are some of the city dwellers also farmers?

THE WITNESS: That is difficult to say.

BY MR. THORVALDSON:

Q. If anyone comes to the store to buy goods do you sell them? A. We try to encourage anyone who comes in to become a member.

Q. But do you sell to them? A. Yes, on the understanding that we try to encourage them to become members. If they insist on purchasing -- well, you are a lawyer and you know that there is such a thing as restraint of trade, so that if we have goods for sale we are obliged to sell them.

Q. Do you sell them or do you not? What method have you of keeping track of non-member business? A. We have a method that is very similar to some of the others that you have heard about. An invoice is written for all merchandise sold. Numbers are allocated to the members, and when they are approved by the board and finally accepted as members a share certificate for a one-dollar share is sent to them.

Q. How much non-member business do you do?

A. I would say approximately 3 per cent.

Q. Is that all the non-member business? A. I think so. That is a very close estimate.

MR. FRANCIS: There is one other witness I would like to call and that will close the Sherwood case.

MR. ELLIOTT: There is a question I should like to ask Mr. Rankin with regard to policy.

McDERMID RANKIN,

Vice-President,
Sherwood Co-operative Association
Limited, recalled:

BY MR. ELLIOTT:

Q. On page four of your brief, Mr. Rankin, you say: "To the contention that to be truly cooperative savings should be paid out we submit that the shareholders either individually or collectively have a right to do as they see fit with what is their own property." I do not object to that. You say further: "As individuals they could decide to endorse the cheques covering savings and turn them back to the association for the purpose of furthering the objectives of the association....." In some associations members do individually make loans back to the association of funds they have actually received? A. They have.

Q. Voluntary individual loans, not something they do in accordance with the wishes of the majority. Has your association followed that policy and borrowed from members in that way? A. So far as buying shares is concerned?

Q. I mean ordinary loans. A. We haven't any amount that I know of.

Q. Does this statement of yours mean that you could finance in that way? A. There is no question in my mind

but that we could. I think we would have the same results if we paid all out and appealed to them in the event of our needing a certain amount of money to carry on business. I have no doubt we would have the same result.

Q. Do you suppose that would have been true in the beginning of the organization too? A. Yes; that is my belief.

Q. I understand that in deciding how much in the way of cash payments will be made you put it up to the general meeting? A. Yes.

Q. But the directors do give a lead? A. Yes.

Q. Can you tell me anything about the factors that determine your recommendations -- how you came to make a recommendation to pay out 50 per cent? A. You mean the board?

Q. Yes. A. Well, in cases where we need capital to conduct the business --

Q. If you want more you ask for it? A. Yes.

Q. You ask the members to leave it with you?

A. Yes, exactly.

G. E. BAGNALL,

Grocery Manager,
Sherwood Co-operative
Association Limited,
having been duly sworn
testified as follows:

BY MR. FRANCIS:

Q. You reside in Regina? A. Yes.

Q. I understand you have been a retail merchant for twenty-nine years. A. Yes.

Q. And for twenty-three of those years you conducted business in Regina? A. Yes.

Q. For six years prior to that you were in the country.

A. Yes.

Q. What is your present position? A. Grocery Manager of Sherwood Co-operative Association.

Q. Did the Sherwood Co-operative Association buy the business you formerly operated? A. Yes.

Q. During the last three years of your operation, what income tax did you pay as arising from your income in that business? A. Last year I did not pay any.

THE CHAIRMAN: What year was that?

THE WITNESS: 1943.

BY MR. FRANCIS:

Q. Did you operate at a loss? A. Yes.

Q. The year before did you pay income tax? A. Yes.

Q. About how much? A. I cannot give the exact figures; about \$100.

Q. In the year 1944 approximately how much income tax will you have to pay as manager? A. About \$180.

Q. During the last few years have you in any year paid as much income tax as \$180. A. Not within the last few years.

Q. Why did you sell your store to Sherwood Co-operative Association? A. Well, for a number of reasons, the principal one being because I was always sympathetic to the cooperative movement, the cooperative way of doing business, and because a cooperative association can do business with a smaller overhead than the average independent merchant.

Q. Why can a cooperative do business with a smaller overhead? A. It does not have to spend money to coax business; the business is already there. The members naturally support their own business and in that way you don't have to spend huge sums of money on advertising and

such things.

Q. Where did you first learn about cooperative principles? You said you were sympathetic to them?

A. In Davidson.

Q. That is, Mr. Wilson's organization? A. Yes.

Q. Did you carry on business there? A. No. I was in business in the next town.

Q. And you saw the advantages of the cooperative method of operation? A. Yes.

Q. And since then you have been convinced of the benefit of it? A. Yes.

Q. You are making a greater contribution now, as manager of the grocery department, to the national revenue than you have done for many years as an independent merchant? A. Yes.

Q. There has been a great deal said about personal incentive to work. How does the incentive you have now compare with that which you had prior to taking over your present position? Are you as contented? A. More so.

Q. You are more contented than you were before? A. Yes.

Q. Is it fair to suggest that you wish you had been in the movement many years ago? A. Yes.

BY MR. THORVALDSON:

Q. Do you know of any of your friends who are not also paying a lot more income tax than two or three years ago?

MR. FRANCIS: That would be hearsay.

THE CHAIRMAN: He may have heard that, but he has no business to speak about his friends anyway.

MR. THORVALDSON: It is common knowledge that income tax rates are higher than they were a few years ago.

THE CHAIRMAN: We all know that.

MR. THORVALDSON: But my learned friend has found it necessary to examine along these lines, thereby giving a misleading impression.

MR. FRANCIS: I found it necessary to examine along these lines because of reckless statements made across the country by a number of people. These are facts, and I suggest that the facts are more important than rumours.

THE CHAIRMAN: The evidence is perfectly relevant. You need not worry about that.

The Commission adjourned until 2.15 p. m.

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The Commission resumed at 2.15 p. m.

MR. FRANCIS: With regard to the credit union briefs, Mr. Chairman --

THE CHAIRMAN: Are we finished with the last one, the Sherwood Co-operative Association?

MR. FRANCIS: Yes, that is closed. There is one more on the list I would refer to before dealing with the credit unions. It is the brief prepared by the Saskatchewan Horse Co-operative Marketing Association. The brief is forwarded and submitted by Mr. L. B. Thomson, Superintendent of the Dominion Experimental Station at Swift Current. I happen to be acting as solicitor for the organization and it has been agreed that I should speak to the Commission at this time regarding it. The brief deals with a rather interesting cooperative association that has been set up to study the problem that arose in the prairie provinces. The name of the association is Saskatchewan Horse Co-operative Marketing Association. If it meets with the approval of the Commission

we propose to file the brief without reading it but we would direct the attention of the Commission to its contents.

I would refer to one point. There are 824,000 horses in Saskatchewan and approximately 300,000 are used for farm work and 200,000 horses for replacement and 100,000 mares for replacement. This leaves a surplus of horses for which there is no market. It was to meet that agricultural situation that it was decided by the farmers and ranchers interested to set up a cooperative to solve the problem or at any rate to cope with it. The brief was forwarded by Mr. Thomson, who has been interested in producer cooperatives for many years and with that explanation I will file it and leave it to be dealt with by your Commission at such time and in such manner as you see fit.

MR. PARKER: Are the necessary financial statements attached?

MR. FRANCIS: Yes.

THE CHAIRMAN: This organization is just in its infancy?

MR. FRANCIS: Yes. It has stressed the point that there is no other type of organization that would come into the picture to solve the difficulty of the farmers. With this end in view, the farmers banded together and formed a cooperative to solve an urgent problem. It is an unusual type of organization.

With respect to the credit unions, you will note from the list that there are several unions which have filed briefs. We have had a conference and we suggest that we can save a good deal of time of the Commission and still do justice to the credit union cause by selecting three or four representative briefs and then directing the attention of the Commission to the others, without calling any witnesses and without having the briefs read.

Subject to the approval of the Commission, we propose, instead of calling six or seven of these witnesses, to call the President of the Federation of Credit Unions of Saskatchewan, Mr. Molloy, who is very familiar with the credit union situation in this province. He also happens to be the President of the Co-operative Credit Society, which is analogous to a clearing house or bank for cooperatives and credit unions, and he is familiar with the whole picture. We propose to call him to make a brief statement regarding the credit union situation in the province, and to follow that by having briefs submitted on behalf of two representative rural credit unions, one at Lafleche and one at Antelope. They are different and will give a general idea of community enterprise. There is also one from Regina.

THE CHAIRMAN: The remainder will be filed?

MR. FRANCIS: Yes; and to complete the credit union presentation we propose to file -- and, if you desire us to do so, to read -- the brief submitted on behalf of the Saskatchewan Co-operative Credit Society. Let us call it the bank for the moment. That is the suggestion we make with two objects in mind, namely, to save the time of the Commission and also to give the credit people a chance to make a fair presentation of the situation as they see it.

MR. PARKER: It has been called to my attention that in reference to the statements we were dealing with this morning it is clear that you intend to file statements in each case from the year 1938 down to 1944.

MR. FRANCIS: No. The instructions were to file one pre-war statement and one 1943 statement with regard to the local cooperatives, and for the Federation we were asked yesterday to file a complete set for ten years.

THE CHAIRMAN: It would be difficult to get the same set of statements from all.

MR. FRANCIS: No, Mr. Chairman. We would be glad to do that but for the fact that some may not go back to 1938.

THE CHAIRMAN: Well, from the time of their inception.

MR. FRANCIS: Yes. The request was for two sample statements.

MR. PARKER: That is true; but on reflection it seems to me that would not present a full picture. We would need to have a series.

MR. FRANCIS: Yes. We shall be glad to file it.

THE CHAIRMAN: What brief are you taking up now?

MR. FRANCIS: What I propose to have now is a preliminary statement from the President.

THE CHAIRMAN: It would be better to have it in connection with one of the briefs.

MR. FRANCIS: The statement which Mr. Molloy proposes to make takes the place of all those briefs which we are not calling. It does so, in a sense, as far as the public hearing is concerned, and the object is to give you an over-all picture of the credit union movement, after which we will take up representative credit union briefs.

MR. PARKER: Those are Regina, Antelope and Lafleche. Can we deal with them more or less as a group and have Mr. Molloy's statement in conjunction with them?

THE CHAIRMAN: That is what I had in mind.

MR. PARKER: Then that could be supplemented. We will assume, then, that we are dealing with those three at the present time.

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Statement by T. M. Molloy on Credit Unions

MR. PARKER: According to the list, there is no formal brief filed in connection with the Co-operative Union of Saskatchewan.

MR. FRANCIS: I have a watching brief.

MR. PARKER: Is this gentlemen going to speak on behalf of it too?

MR. FRANCIS: No. Mr. Rankin is President of the Co-operative Union of Saskatchewan. Mr. Molloy is President of the Credit Union Federation and he is also president of the Saskatchewan Co-operative Credit Society, but he is not an official of the Co-operative Union.

THE CHAIRMAN: That will develop as we go along.

MR. FRANCIS: Yes.

T. M. MOLLOY,

President,
Credit Union Federation,
having been duly sworn
testified as follows:

BY MR. FRANCIS:

Q. At the present time, I understand, technically you are retired? A. Yes, technically.

Q. I understand also that for several months in the year you are associated with the War Finance Committee and the Victory Bond Campaign? A. Yes.

Q. You are an ex-Deputy Minister of Labour and Public Welfare? A. Yes.

Q. You are one of the original members of the committee that was set up in Saskatchewan to procure the enactment of the Credit Union Act in 1935? A. Yes. I was not one of the original members. I was a member of the original committee. I replaced one of the members who retired.

Q. And you have organized a number of credit unions?
A. Yes.

Q. And you have been President of the Federation Union?
A. Yes.

Q. You are President of the Saskatchewan Co-operative Society?
A. Yes.

Q. And held that office since the inception of the society in 1941?
A. Yes.

Q. You are one of the original incorporators of that organization?
A. Yes.

Q. As President of the Credit Union Federation, will you as briefly as possible give the Commission a general introductory statement dealing with credit union movement in Saskatchewan?
A. As suggested, I intend to make it as brief as possible. I do not intend to go into the philosophy or previous history of the credit union movement; you will hear that on several occasions. So far as Saskatchewan is concerned, however, we set up a committee in 1936 to interview the Government with a view to bringing about legislation to permit the operation of credit unions.

In the session of that year they passed an Act and credit unions began to be formed in 1937. Since that time we have organized 163 credit unions in the province. There are 163 at the present time and they comprise a membership of roughly 20,000 people. Since their incorporation they have accumulated assets of \$2,500,000 and at the present time they have a total, since incorporation of \$3,500,000 loaned to artisans, farmers and other members throughout the province. That total sum has been loaned as at the end of the last year, as nearly as we could estimate conservatively or generously, with an amount of \$300 that might be considered in the doubtful column. There has not been a bad

debt in the sense of being written off and there is not more than \$300 of the \$3,500,000 which might be termed doubtful or past due. The total amount of loans by these credit unions at the present time is \$750,000.

I do not propose to deal with the individual activities of the credit union movement. It is our intention to give two representative samples, one from the rural area, which we have divided into two, a large progressive one and the ordinary type of credit union, and then we give a view of the city operations of credit unions.

In these credit unions since they were organized the gross earnings on share capital amounted to \$28,600 and \$11,900, or 42 per cent of that amount, has been returned to the members by way of dividend interest on deposits and borrowers' dividends and things of that kind, which leaves 58 per cent of the money which they have earned during their lifetime in the hands of the credit unions. Of that 58 per cent, 20 per cent had to go into the reserve fund, so that it can be said that possibly from 38 to 40 per cent of the total income was used in office expenses and supplies, stationery, postage and things of that kind. Forty-two per cent of the money has gone back to the members of the credit unions.

So far as our Federation is concerned, to give you an idea of its make-up, the organization is in itself merely a legislative, educational, guidance and policy-suggesting institution. Out of 163 credit unions in the province, 141 are members of the Federation. Of the rest, there are I suppose 20 that are newly created associations brought into existence this year, which either have not yet reached the conclusion that they wish to join the Federation or are waiting until they get funds in their hands. In the province,

I would say, there are possibly not more than six credit unions that are not either actively in the Federation or on the verge of joining. I cite that to show that the Federation is a representative organization.

THE CHAIRMAN: Are these scattered all over the province?

THE WITNESS: Yes, from the north to the southeast corner. Mr. Turner submitted a map which someone suggested should be photostated and used in your report. It shows that the organization is widespread and it gives a better idea than I can convey in words of what the credit unions are doing.

In areas where a few homesteaders are just getting together to finance their problems the conditions are not the same as in settled communities. You will find districts in the south where one credit union, after two months of organization and operation, have a paid-up capital of over \$25,000 as compared with some in the north which after operating two years might have twenty-five or fifty dollars. That will give an idea of how widespread they are.

I do not want to anticipate what is set out in the briefs which will be submitted to you. There is nothing further that I can say, and I have no desire to take up your time stating what others are prepared to tell you in detail. All I wanted to do was to give a comprehensive picture of the movement so far as it affects this province, and in that way give you some inkling of what we are talking about.

THE CHAIRMAN: You do not propose to deal with the growth and operation of the movement?

THE WITNESS: No, sir. I leave that to the individual

associations, since we are all operating under the same standard by-laws and the same Act. That being the case, anything that I might say would be only a repetition, or rather an anticipation of what others will submit to you. I might say a word however about earnings. As I have said, 42 per cent went back. The average rate of dividend paid to the members varies from three and a half to three and three quarters per cent, so that there have been no exorbitant earnings in these credit unions. They are all financed and run according to the most economical plan, on a self-governing basis instead of hiring expensive help. That, gentlemen, is a general view of the situation.

We have three or four types of organization. For instance, there is an occupational group which will be composed of employees in industry -- people from the Pat Burns establishment or the Ogilvie Milling Company or the staff at the City Hall, or federal employees. Then we have religious groups; there are three or four Roman Catholic groups in the province, who have membership from the congregations. Then there are racial groups such as the Ukrainians, for example. The community groups, for the most part, embrace persons residing within the community. One from whom you will hear this afternoon will tell you that the membership is drawn from the municipality in which they reside. That is not provided in the law. That is according to their own regulations governing where their members are to come from. The members of every credit union have some bond in common. They are associated either in business or in a community, in trade or in a church, or something of that sort that gives them a tie between one another.

THE CHAIRMAN: Perhaps we can take up the individual cases now.

MR. FRANCIS: The first brief is from the Lafleche Community Savings and Credit Union.

E. H. BILODEAU,

Manager,
Lafleche Community Savings
and Credit Union,
having been duly sworn
testified as follows:

BY MR. FRANCIS:

Q. You are a resident of Lafleche in the province of Saskatchewan? A. Yes, since 1922.

Q. You hold the position of Postmaster in that town? A. Yes.

Q. You are also Secretary-Treasurer of the Board of Trade? A. Yes.

Q. And you take an interest in community affairs? A. Yes.

Q. What position do you hold in the Lafleche Community Savings and Credit Union Limited? A. Secretary-Treasurer.

Q. How long have you held that position? A. Since its organization.

Q. In what year? A. April 19, 1938.

Q. What group was responsible for getting that credit union started? A. The Board of Trade really started the movement. We formed study groups at first but the Board of Trade of Lafleche really gave it its first step. The members of the Board of Trade contributed a few dollars to get it started.

Q. This brief which you are about to submit to the Commission was prepared in what manner? A. It was prepared

by myself, consulting my Board of Directors of five.

Q. You have authority to present it on behalf of the association? A. Definitely so.

Q. Will you read the brief please. A. All right. It reads:

"Lafleche Community Savings and Credit Union, Limited,
Lafleche, Saskatchewan

"Submissions to the Royal Commission on Co-operatives:

"A credit union is primarily a community self-help organization. As such it expects and receives numerous free services from its members. The Secretary-Treasurer is paid as a very large proportion of his time is absorbed by credit union business, especially when the volume is as large as that of our Lafleche Credit Union. It has also been found necessary to hire some clerical help.

"The Lafleche Credit Union was organized in April 1938, in the midst of years of drought and depression. No credit was available in this community to the average citizen. By group action, through the organization of this credit union, members were able to save close to \$2,000 in the first year of operation and loaned out to themselves \$4,000, or double the amount they saved. The total assets of this credit union after six and one-half years of operation are now close to \$400,000, and loans made to date are almost \$480,000.

"We have made a total of 2,363 loans to our 781 members, the average amount of a loan being about \$200. Our individual loans have ranged from \$10 to \$4,000. All these loans have been made without any losses.

"Our 781 members include both farmers and townspeople of Lafleche. We have clerks, lawyers, stenographers, store-

keepers and other businessmen among our members, as well as a majority of the farmers in the vicinity of Lafleche. Every nationality found in the district is represented in our membership. Loans have been extended to all classes of members."

We have some Chinese who are good members of the Union. I don't know if that is relevant. Continuing:

"Our meetings are well attended. Over 200 members were at our last annual meeting and about 200 members attended a general meeting last July.

"Writing to Mr. Bilodeau officially regarding the good work of the Credit Union at Lafleche, Mr. Colpron, Sheriff of the Judicial District of Gravelbourg states in part:

'that so far we have had fewer contentious matters coming before the courts from Lafleche than from any other point within this Judicial District. We also have had fewer applications for repossession of farm implements under the Limitation of Civil Rights Act, also fewer applications for adjustment of debts under the Debt Adjustment Act, fewer actions for foreclosure and for cancellation and practically no seizures under executions.'

"A true copy of Mr. Colpron's letter is attached as an appendix to this brief.

"These facts are brought to your attention to show the economic value and the need for the services of the credit union in our community.

"During the year ending December 31, 1944, the total income of our credit union was \$9,928. Of this, \$5,256 represented expenses of the year's operations including

\$1,211 reserved for bad loans, in accordance with the governing Act. Salaries paid totalled \$1,550. These salaries would have been much higher had not the Credit Union received the services of its Board of Directors, Credit Committee and Supervisory Committee, free of any charge whatsoever. The \$4,672 surplus was used to pay the members at 3-1/2 per cent dividend on their shares in the Credit Union. This is all the members received for the use of their money by the Credit Union. Had all services received by the credit union been paid for, the rate of returns on shares would have been even lower.

"Starting in 1943 we have been required to deduct 7 per cent at the source for income tax on the dividends we pay out. As the average dividend per member is about \$6.00 the majority of these deductions are less than 50 cents each. As a large proportion of our members have incomes that are too low to be taxed they are entitled to apply for refund of this tax. If they do so we have little doubt that the cost to the Income Tax Department of making these refunds would exceed the total amount that we have deducted at the source. Hence we suggest that, in the case of the small sums we pay to our members in dividends, deduction at the source is a costly method of collecting the income tax. In that regard it should be borne in mind that it is costly to the credit union, too, as someone has to do the work of computing 7 per cent of each shareholder's dividend and preparing him a statement showing the amount of income tax he had paid.

"Further we suggest that the credit union share bears very little similarity to a joint stock company share. The latter is a certificate of stock and cannot be withdrawn

on demand. The membership share of a credit union has certain similarities, but the rest of the shares are devoid of voting privileges and can, in practice, be withdrawn at any time on demand. Credit union shares are in reality only a deposit entry in a passbook. According to the Credit Union Act a credit union can demand up to ninety days notice before a withdrawal of shares is made, but we do not know of any credit union that has taken advantage of this privilege so far. Therefore the credit union members deposit shares in their credit union in the same manner as they would deposit money in a savings account in the bank.

"A credit union teaches people to work together to solve their financial problems. Their educational value alone is enough to justify their existence and therefore we suggest that the Government should avoid any form of taxation which would tend to weaken credit unions. They also teach habits of thrift and some of our poorest members have through sacrifice been able to save amounts up to as much as one hundred dollars and over. Taxing their dividends does not encourage them to continue this effort. The credit union movement is primarily a self-help organization, and has always received encouragement, and guidance from the Government. No other organization has the same facilities to work for the benefit of its members and help build up a prosperous community. Other financial institutions are so constituted that they cannot handle profitably savings in small sums or extend credit in small amounts at low rates of interest.

"We firmly support the principle of taxation of individual incomes but in view of the foregoing considerations

we would urge the Government to reconsider application of Section 92 of the Income War Tax Act to dividends on shares in credit unions in Saskatchewan.

"All of which is respectfully submitted,

E. H. Bilodeau, Secretary,

Lafleche Community Savings &
Credit Union, Limited."

.....

Court House,
Gravelbourg, Sask.,
January 15, 1945.

"Edmond Bilodeau, Esq.,
The Manager,
Lafleche Community Savings
and Credit Union, Ltd.,
Lafleche, Sask.

"Dear Sir,

"With reference to the telephone conversation that I had with you today regarding the good work accomplished by the Credit Union in your community I beg to say, without hesitation, from the knowledge that I have acquired from what transpires in the Court House of the Judicial District of Gravelbourg, where I happen to hold the offices of the Local Registrar, Clerk of the Court, Sheriff, as well as Representative of the Provincial Mediation Board, that so far we have had fewer contentious matters coming before the Courts from Lafleche than from any other point within this Judicial District. We also have had fewer applications for repossession of farm implements under the Limitation of Civil Rights Act, also fewer applications for adjustment of debts under the Debt Adjustment Act, fewer actions for foreclosure and for cancellation and practically no seizures under executions.

"As you know, I have been well acquainted with the

Lafleche District and its inhabitants for many years and I am also acquainted with their financial condition which has improved immensely during the last six or seven years. Better prices for farm products and better conditions generally have no doubt helped to the betterment of the population, but a large part of the credit for this amelioration, we must admit, is coming to the Lafleche Savings and Credit Union for restoring confidence in the people by teaching them how to take care of their own affairs, by impressing on the members of the Union the necessity of systematic savings and by advancing judicious loans when needed.

"I am sorry that you have given me so little time to deal with this question which should be of interest to all communities which have the spirit to work together and to progress.

Your obedient servant,

Ernest Colpron,

Sheriff of the Judicial
District of Gravelbourg."

.....

BY MR. PARKER:

2. In the middle of the second paragraph on page one you say: "By group action, through the organization of this Credit Union, members were able to save close to \$2,000 in the first year of operation and loaned out to themselves \$4,000, or double the amount they saved." They saved \$2,000 in respect of what? What do you relate that to? They saved \$2,000 out of what? A. There is a turnover. If you have \$2,000 in a credit union and if it is run properly that should turn over once and a half or twice in the year.

Q. That was the extent of your earnings the first year, \$2,000? A. Yes, and we turned it over twice.

Q. The earnings were \$2,000? A. No. That is the share capital, the money that was saved by the members.

Q. On page two you say: "During the year ending December 31, 1944, the total income of our credit union was \$9,928." You use the word "income" deliberately?

A. Yes.

Q. That is income of the association? A. Gross income.

Q. Out of which you pay -- A. Salaries and all expenses in operating the credit union during the year.

Q. And you have left -- A. \$4,672.

Q. If the other amount was your gross income that is your net? A. Yes; you could call it that.

Q. Do you file income tax returns showing that? A. Yes.

Q. Have you been taxed on that? A. We have been taxed 7 per cent on that.

Q. Does the association pay income tax or merely deduct it? A. We deduct it from the members' dividends.

Q. After apportioning to the different members you deduct 7 per cent? A. Yes.

Q. But the association as such has not been paying income tax? A. No.

Q. Have you been making returns showing that the net income of the association was so much each year -- returns to the Income Tax Department? A. Yes. We make income tax returns showing the dividends and the deduction.

Q. That is, showing the details of how that \$4,672 was disposed of? A. Yes, the name of each member.

Q. Putting beside each name the share? A. I would say all the members. We don't have to show names in connection with dividends paid below five dollars.

Q. But any above that? A. Any above that amount is returned to the Income Tax Department.

Q. Have you ever had any communication from the Department intimating that the association itself ought to pay income tax on the money before you hand it back to the members? A. No.

Q. Just how is that income arrived at? You have certain moneys on hand from the sale of shares? A. Yes.

Q. Share capital? A. A share in the credit union is really a deposit. We loan that to our members.

Q. You get a certain amount by charging a membership fee. Does a man have to pay something to become a member? A. There is a twenty-five cent membership fee.

Q. Then he makes certain deposits? A. Yes, in the form of shares.

Q. In return for which he gets a share? A. Yes.

Q. But it is a different kind of share from that which he got when he joined? Let me put it this way. When he pays twenty-five cents and becomes a member what does he get to show that he is a member? A. He has on deposit five dollars and he pays twenty-five cents as a membership fee. He loses that. He gives that to the credit union.

Q. As soon as he deposits five dollars he gets a share representing that? A. Yes; he gets a pass book as in a bank.

Q. And if he deposited fifty dollars he would have ten shares? A. Yes.

Q. It is that money that you loan? A. Yes.

Q. How much interest do you pay a man on his deposit?

A. One and a half per cent.

Q. That is a fixed rate? A. Yes.

Q. So that the money you have to loan costs you one and a half per cent and you loan it at what rate? A. On the average about 6 per cent. We have loans at 8 per cent, 7 per cent, 6 per cent, and to help finance Victory loans we lend at the same interest as the bond. If a member wants to buy a bond we charge the same interest as the bond.

Q. Apart from that it is one and a half per cent per month? A. We have no one and a half per cent per month. A farming community has a different type of loan.

Q. It is out of the difference between the 6 per cent at which you loan and the 1-1/2 per cent which you pay for the use of the money that you pay handling charges and have \$4,672 net left? Is that right for that particular year?

A. You must take into consideration that we pay 3-1/2 per cent on shares.

Q. Yes, of course, after paying 3-1/2 per cent on shares. A. We have some we pay 1-1/2 per cent. A deposit account in a credit union is like a checking account.

Q. You earn money by loaning to members and charging 6, 7 and 8 per cent as the case may be, and having paid interest on your shares and all your expenses, you have a certain amount left over? A. Yes.

Q. How is that disposed of? Do you pay back to members according to share capital, according to the shares they bought? A. There is a gross income here of \$9,928. Out of that there was \$1,550 in salaries, then there are operating expenses such as rent, heat, light, coal, and there is stationery, cheque books, which leaves \$4,672 of a

surplus.

Q. All I want to know is this: On what basis do you dispose of that \$4,672? Do you pay it back? A. Pay it back to the shareholders.

Q. In what proportion? A. Well, at the rate of 3-1/2 per cent. This \$4,672 represents roughly 3-1/2 per cent dividend.

Q. On all deposit money? A. On share money.

Q. Isn't it the same thing?

BY MR. ARNASON:

Q. Would you care to tell us, of the moneys deposited by members with the credit union, what amount approximately is on deposit in the form of shares and what is deposited in current account? A. Our capital actually is \$400,000; that is pretty close. Figure on \$400,000, and \$225,000 at present is share capital, the balance being on checking account.

Q. You pay 3-1/2 per cent on \$225,000? A. Yes.

BY MR. PARKER:

Q. On share capital? A. Yes.

BY MR. ARNASON:

Q. And 1-1/2 per cent on the rest? A. On the deposit accounts.

BY MR. PARKER:

Q. And that takes care of the \$4,672? A. That 3-1/2 per cent, pretty well, yes.

Q. Have you any source of income other than the interest on these loans? A. We have the Victory Bonds.

Q. How did you come to buy Victory Bonds? What has that to do with loaning money to members? A. We have a surplus at the present time and we invest it like any other institution.

Q. How much, roughly? A. At the present time our investments are \$250,000.

Q. Out of that \$9,928 which you show, roughly how much is represented by interest on these investments?

A. Three thousand or a little better.

Q. So that about a third of your income is earned by using this money to invest it? A. Yes.

Q. Is that what the credit union was formed for, primarily, to become an investment company earning money for its members? A. I am not prepared to say.

THE CHAIRMAN: How did you build up the \$225,000 you have invested?

THE WITNESS: That is savings of our people in our community.

THE CHAIRMAN: That is, surpluses above the amount you paid back by way of patronage dividends?

THE WITNESS: I don't understand.

BY MR. ELLIOTT:

Q. You have received from your members \$225,000 in share capital and \$175,000 in borrowed capital. You lend to your members what they need and what you consider good loans? A. Yes.

Q. And you have at present about \$250,000 left in addition to what cash you keep on hand with which you have bought Victory Bonds? A. Yes.

Q. So that the \$250,000 in Victory Bonds plus loans plus cash on hand equals roughly about \$400,000? A. Yes.

BY MR. PARKER:

Q. That is clear. The point on which I am not satisfied, or which I do not understand, is how the building up of share capital merely for the sake of investment and receiving interest on those investments helps your members.

That \$250,000 that is invested cannot be loaned? A. At the present time, due to war priorities and restrictions and so forth, our board believes this money will be sooner or later used in the community as soon as the war is over. We finance combines, tractors and anything on the farm and we are of the opinion that we will use all that money and perhaps more in our particular community.

Q. The only point I am interested in at the moment is this. I fail to distinguish between what you are doing with the \$225,000 and what anyone does in an ordinary company. A. If these were normal times we would find places in our community to invest it in loans to members.

Q. Everybody is well off now and not as many loans are required. Is that it? A. People need a lot of farm implements.

Q. But not to the extent that they come to you for loans? A. I have applications on my file to the extent of \$30,000 pending the getting of tractors, farm tractors.

BY MR. FRANCIS:

Q. I want to pursue one point for a moment. At the bottom of page one I see this statement: "Every nationality found in the district is represented in our membership." I want to take that statement for a moment and have you develop it. You have in your credit union a board of directors, a credit committee and a supervisory committee. That was before the Commission in Vancouver. Tell the Commission the personnel of your Board of Directors. Is the President a farmer? A. Yes.

Q. A French-Canadian? A. Yes, and one member is of English origin and another of German origin. We have one Mennonite and there is myself.

Q. That is a cross section of the Board of Directors?

A. Yes.

Q. And on the Credit Committee? A. The Chairman is of English origin and there is a gentleman from France.

Then we have a Belgian, a man born in Belgium and a farmer.

Q. And the Supervisory Committee? A. The Chairman is a lawyer, English; then there is Mrs. Galbraith, stenographer.

Q. She is Scotch, and there is Mrs. Burke, housewife, Irish. You never get a unanimous decision on that committee? A. Absolutely.

Q. I am serious now. I would like to have your opinion, and I think the Commission would be interested in your opinion on this point. Has the existence of the credit union in your community tended to weld the different nationalities together? A. Yes, definitely so.

Q. That is your opinion? A. Absolutely.

Q. Let us take an annual meeting. I presume you have a United Church minister in your community? A. Yes.

Q. Does he attend the general meetings? A. Yes.

Q. And you have a Catholic priest? A. Yes. They make it a point to attend.

Q. Does he attend? A. Yes.

Q. And the Chinese, do they attend? A. Oh yes.

Q. All these nationalities are brought together in the annual meeting and you have discussions? A. Yes.

Q. What does this working together in these discussions tend to do to the community? A. Speaking as Postmaster, I can say it helps. It is a great thing for the community. Where we are all divided in race and religion it certainly builds up a better community. That is one big factor in the credit union; there is no doubt about that.

Q. You have been in this part of the country a long time and you have seen how things develop. Do you think the development of the credit union movement throughout the provinces would tend to be a unifying force in Canada?

A. I would say so, definitely.

Q. That is your opinion? A. Yes.

Q. I remember seeing somewhere a list of loans, a breakdown of several thousands in loans you made and some seemed to be rural and some urban or town loans, money loaned to people in the town. What do you say to the suggestion that the existence and operation of this credit union in the community has tended to weld the people into one unit or to bring them closer together? A. Yes, it has. It cannot help doing so. It has to do that.

Q. Has it done so in fact? A. Yes, it has in our community. If you made inquiries you would find it is so. I may be a little prejudiced, of course --

Q. But you are Postmaster and are in touch with everyone? A. Yes.

Q. And that is your opinion? A. It has brought the farmers and business men together.

Q. It has brought all varieties together, farmers and business men? A. Yes.

Q. There is one other statement on page one, where you say: "No credit was available in this community to the average citizen." You know the surrounding towns close to Lafleche. Would you say that at the time the credit union was formed the average man in the surrounding district could get credit? A. Not within a thirty mile radius. The average citizen could not get credit.

Q. Has that all changed? A. Through the credit union. I don't know about other institutions.

Q. Has that tended to give the people more confidence?

A. Oh, it has helped a lot. I have been Secretary for seven years and personally, talking with these people, I know that it has certainly given them confidence. I could name case after case where people, owing to drought and depression, were in a very distressed state of mind. Their mind was a blank; they didn't believe in churches or politics or religion or anything. Now through the credit union it is different. It may be due also to good crops, but I believe the credit union has helped them. One of our members has a big family. He joined the credit union by depositing one dollar and has accumulated \$50 in shares. We helped him to buy a farm. If you had seen that man five years ago you would not know it is the same man now. His condition was due to the depression and bad crops but he is looking after himself now.

BY MR. PARKER:

Q. Is it not true that the improved state of mind of these people is due in very large part to the fact that, generally, times are better now? You would not say that it was due solely to the credit unions, surely?

A. No.

MR. FRANCIS: I am not suggesting that.

MR. PARKER: You led him along pretty well, though. It would almost lead one to the belief that the credit unions -- to put it rather strongly -- and the almighty dollar seemed to have a great deal more harmonizing effect than all the churches put together.

THE WITNESS: A lot of us had no dollars for ten years and when you are hungry -- well, anyway, that is the way we look at it.

BY MR. PARKER:

Q. You put this ahead of all other influences in the community; it has accomplished what the others could not?

A. It is a great help; it is needed in the community.

Q. All I want is a fair evaluation of the credit unions in relation to other influences for good.

A. Well, that is the way we see it.

BY MR. ARNASON:

Q. Have you a list showing the purposes for which different loans were made by the credit unions? A. I haven't a recent one.

Q. Will you furnish us with a list showing the purposes for which the loans were made? A. Yes -- the loans we made this year?

Q. And the rate of interest charged. A. Yes.

Q. Could you furnish such a list? A. For five years?

Q. No, just one year. A. Yes.

Q. It would be helpful to the Commission to have that information. A. I will get it.

MR. FRANCIS: Does the Commission wish to have the financial statements and by-laws in the case of credit unions, or is that limited to the cooperatives?

THE CHAIRMAN: Yes, I think so.

MR. FRANCIS: All their financial statements?

THE CHAIRMAN: Yes.

MR. PARKER: We don't want those that deal with a little community hall.

MR. FRANCIS: The ones that we are hearing here.

MR. DEBOTH: I wish to ask the witness a question, Mr. Chairman.

MR. PARKER: Whom are you representing?

MR. DEBOTH: The common good; the common man.

THE CHAIRMAN: Make it short.

MR. DEBOTH: I believe that your credit union as well as every other has a credit committee?

THE WITNESS: Yes.

MR. DEBOTH: And that credit committee has to decide whether the member who asks for credit is credit-worthy?

THE WITNESS: Yes.

MR. DEBOTH: If the member is considered to be not credit-worthy, though his need may be as great as it might be, he can't get a loan. Is that true?

THE WITNESS: We are not a charitable institution.

MR. DEBOTH: That is what I wanted to know. You believe, and I heard it mentioned, that your organization is a co-operative organization.

THE WITNESS: Yes.

MR. DEBOTH: Have you ever studied the principles of cooperation?

THE WITNESS: Some.

MR. DEBOTH: Have you studied the definition as given in the British Encyclopaedia?

THE WITNESS: Do I have to answer these questions?

THE CHAIRMAN: You have or you have not studied it. Have you?

THE WITNESS: No, I have not.

MR. DEBOTH: You are not to blame. There are 100,000 who have not studied it, but I have. The British Encyclopaedia defines cooperation in two different ways.

MR. PARKER: I do not wish to interrupt, but --

THE CHAIRMAN: What is the object of your questions, Mr. Deboth?

MR. DEBOTH: The object is to show that the credit union

is not a cooperative organization but is a collective association. It is a collection of individuals.

THE CHAIRMAN: Proceed, but please make your questions brief.

MR. DEBOTH: You have been searching for a definition of cooperation. The British Encyclopaedia gives it rather clearly.

MR. PARKER: I thought this gentleman wanted to ask questions?

THE CHAIRMAN: If you wish to ask any questions you are perfectly at liberty to do so, but you are not at liberty to make a dissertation, if you please.

MR. DEBOTH: The British Encyclopaedia defines it as a movement, a creed, that is a belief, of people in combination for one purpose, which is to make for better living. In the first place, the object is better living. It also defines it as a movement whereby we save money if money is the primary object and life itself the secondary purpose.

THE CHAIRMAN: Please put your questions.

MR. DEBOTH: What is your prime purpose, sir -- money or the betterment of life? Money for the few or the betterment of mankind?

THE WITNESS: Well, I would say the betterment of mankind.

MR. DEBOTH: The profit your union members make by loaning money to one another when they are in need is divided among the members and that is the sole thing you are concerned with primarily -- not in the living that follows afterwards?

THE WITNESS: I am not prepared to discuss all that.

MR. DEBOTH: According to the definition the credit union movement is a movement of collectives and not a

cooperative.

THE CHAIRMAN: Very good, we have your idea.

MR. FRANCIS: The next brief is from the Antelope Savings and Credit Union Limited.

L. L. LLOYD,

Secretary-Treasurer,
Antelope Savings & Credit Union, Ltd.,
having been duly sworn
testified as follows:

BY MR. FRANCIS:

Q. You reside at Antelope, Saskatchewan? A. Yes.

Q. What position do you hold in the Antelope Savings and Credit Union? A. Secretary-Treasurer.

Q. The brief which you are about to read is submitted on behalf of that association? A. Yes.

Q. You have authority to present it? A. Yes.

Q. Please proceed. A. This is a very short brief:
It reads:

"Antelope Savings and Credit Union, Limited, Antelope, Sask.
"Submissions to the Royal Commission on Co-operatives:

"This submission is made on behalf of the Antelope Savings and Credit Union, Limited. This Credit Union is an Agricultural Credit Union which serves the Hamlet of Antelope and its natural trading area. It is a small district and with 133 members we have nearly everybody in the district as a member.

"Our Credit Union was organized on January 6, 1941, for the purpose of helping those who were willing to help themselves. We would like to point out that we, like all Credit Unions, do business with our members only.

"While at the present time most of our members can, if they wish, borrow money from the bank this was not true

during the first year or two of our operations. Since we organized we have loaned out \$19,278 to our members but we have never had any delinquent loans nor lost a cent. We have never refused any one of our members a loan. All we ask of our members in order to get a loan is that they be of good character. If they want a loan over \$50 we ask them to have another member endorse their note.

"I could write several pages as to the purpose for which this money was loaned and the good it has done in regard to getting our members long overdue medical care and operations as well as saving them money by providing cash for purchases of farm and farm home supplies.

"Our total assets at the end of 1944 were \$22,676.46. We have lowered the interest rate to the point that it now barely covers our operating expenses. After putting 20 per cent of the net earnings aside for a bad debt fund the balance is credited to the members in the form of a dividend on a percentage basis in proportion to the amount of investment they have in the Credit Union, or the amount of interest paid by the borrower.

"We have five directors, three members on the Credit Committee also three members on the Supervisory Committee as well as an educational committee and a Secretary-Treasurer, all of whom work free of charge, with the exception of the Secretary-Treasurer, who has never been paid more than \$25 per year.

"Our organization does not debar anyone. We do not ask a person about his nationality, religion, or politics nor do we care about his colour; that he has good character is all that we desire. This is one place where we are all equal and can meet on common ground. If all organizations were like this and the war was over we would not only have

won a military victory but we would really have won the peace.

"We do not believe cooperatives should pay income tax because they are not in business for profit but are in business to render service to their members. We are not opposed to income tax as it applies to individuals but we are opposed to double taxation, and that is just what will take place if cooperatives are forced to pay income tax. If the earnings any person gets from a cooperative puts them in the position where they should pay income tax, all well and good, but do not tax their earnings which are not profits before they get them. If this is done it is quite likely that self-help organizations known as cooperatives will gradually decrease and governments will find themselves in a position where they will have to plan more ways to help the people especially in times of depression. We do not believe that there is any danger of the Government losing a source of revenue by not taxing cooperatives. We believe that it will work the opposite way. As more people organize cooperatives and support them they will be better off financially and in a better position to pay for the services required from governments. After all both Federal and Provincial Governments have time and time again stressed the idea that people must be taught to stand on their own feet and that is just what we of the cooperatives are doing, standing on our own feet.

"All of which is respectfully submitted,

L. L. Lloyd, Secretary,

Antelope Savings & Credit
Union, Ltd.

.....

BY MR. FRANCIS:

Q. On page two you say: "After putting 20 per cent of the net earnings aside for a bad debt fund the balance is credited to the members in the form of a dividend on a percentage basis in proportion to the amount of investment they have in the credit union, or the amount of interest paid by the borrower." I do not get that. Is it sometimes on one basis and sometimes on the other; or is it a combination of both? A. We don't know how much interest we have been paying until we have the earnings for the year. It depends on the borrower, and then we distribute the surplus, after reserves have been taken out, on the percentage of money invested.

Q. How do you decide how much each man gets? Is it in proportion to the amount of money he has on deposit with you? A. We don't pay interest on loans.

Q. You do not follow me. After you take 20 per cent for your bad debt fund and pay something, or allot it, to the members, on what basis do you figure out how much is each? A. We strike a rate. The last two years we have not paid anything on deposits. We have paid back interest on share capital only but not on deposits. We strike a rate after we have set aside reserves and taken expenses for the year. On whatever is left we strike a rate.

Q. That is, whatever the percentage is, it is a percentage applied to the amount of each man's investment?

A. I beg your pardon?

Q. Having fixed the rate that you are able to pay out of your surplus earnings, suppose you have \$3,000, how do you divide that up and determine what each member is entitled to get? A. By the amount of money he has invested.

Q. Look at page two of the brief. A. You don't understand it the way I do. What we have to go by is the amount of

interest paid by the borrower.

Q. That is where you get the money? A. Yes.

BY MR. VAUGHAN:

Q. I understood this surplus was divided in proportion to the loans; that is, they were made in the form of rebates on interest charged for loans. Or is it actually paid on the amount of interest, the purchases made in capital stock? A. The amount invested in capital stock.

Q. What is the difference between that and a regular loan company? That is the way it is done in a regular loan company. This is paid on share capital rather than in the form of a rebate in the interest rate charged for loans? A. Yes.

BY MR. ARNASON:

Q. You make no rebate in the amount of interest which the member pays for loans? A. We do have a lower rate of interest. We have two rates of interest. We have a really low rate for anyone who wants to borrow money for Victory Bonds. We have rates of 6 per cent and 8 per cent. If you had \$100 in share capital and wanted to borrow \$200 we would charge 8 per cent on one \$100 and 6 per cent on the other because that is backed by share capital. We encourage people to leave their money and take a loan rather than take it out, so that they can have savings.

Q. Suppose a member borrows \$100 from your credit union and pays 7 per cent in interest on that loan. Do you use any part of your surplus to refund the member a portion of that \$7? Do you pay the borrower a dividend? A. No.

BY MR. ELLIOTT:

Q. In what part of the province is Antelope?
A. It is west of Swift Current, thirty miles. It is the

smallest town in the province.

MR. DEBOTH: If you have a customer who has four or five loans in a year and he pays it back, is anything refunded to him, as in the cooperative store, in the form of a patronage dividend, so that the one who takes out more loans as a result of which you make more money gets back more than the one who takes out one loan? Is that the practice, or is the dividend only distributed according to the share and not according to the patronage he has given?

THE WITNESS: Yes.

MR. DEBOTH: You mention in the brief that you were anxious to give services.

THE WITNESS: What about services?

MR. DEBOTH: You said that you were anxious to render services.

THE WITNESS: I don't get what you are driving at.

MR. DEBOTH: I believe it is on page two, as far as I could follow it. It was mentioned that the organization was built on the fact of giving services. I will have to let it go, but I heard that mentioned.

MR. FRANCIS: The next brief is from the Regina Credit Union League.

SOL SINCLAIR,

The Regina Credit Union League,
having been duly sworn
testified as follows:

BY MR. FRANCIS:

Q. You are a member of the committee that was set up to prepare this brief on behalf of the League and you were authorized to present it here? A. I was.

Q. You were born and raised in Saskatchewan? A. Yes.

Q. I understand your father formed the first credit

union in Saskatchewan in 1913? A. That is what we believe. We have not heard of a credit union being established before that.

Q. There was no Act at that time? A. No, but the principles were the same, service to the community interest.

Q. And you have been interested all through your lifetime in credit unions? A. And in cooperation generally.

Q. You are a Bachelor of Science of the University of Saskatchewan? A. Yes.

Q. You are working towards your Ph.D as assistant director in the Prairie Farm Assistance Branch? A. Yes.

Q. You are a member of the Regina Hebrew Savings Union? A. Yes.

Q. Will you please read your brief.

THE WITNESS: (Reading)

"The Regina Credit Union League

Submissions

to the Royal Commission on Co-operatives

"The Credit Union League of the City of Regina desires to make the following submission on behalf of its member credit unions.

"1. The function of credit:

"Western nations have achieved their present high productive efficiency and high standards of living through the adoption of specialization in their productive processes. This high degree of specialization was made possible through the utilization of capital derived from savings directly, or indirectly through borrowing. These two factors, savings and credit, are essential in the successful operation of our modern economic and social organization. To facilitate

savings and to provide credit we have developed numerous institutions which serve both purposes. Banks, life insurance companies, trust and loan companies and so forth provide the machinery whereby owners of capital funds may invest them and consumers of credit may on the other hand satisfy their requirements.

"2. Operation of credit agencies:

"While we can boast of very stable and strong credit-providing institutions in Canada we cannot equally boast of the effectiveness of these institutions. We refer now primarily to the availability of credit to meet all provident and productive needs. The credit needs, at least in the province of Saskatchewan, were not met by our then existing agencies during the depression years, when probably the need was greatest. This was due to the fact that many borrowers did not have the type of security demanded to obtain loans from these agencies.

"The 'necessary' security is a very important factor as there is a large part of our population that never has 'satisfactory' security for loans when viewed by the banker or mortgage company. Since our economic organization, however, is so dependent on credit this denial of credit to a portion of our population, larger in depression periods, and large in so-called normal times, is a very serious handicap to proper national balance and development.

"3. Government position on credit:

"Our senior governments have long ago realized that credit availability is closely tied to national welfare. Various credit acts have been passed and agencies have been created to fill the credit gap left open by existing private organizations. These acts were all prompted to a great degree by the motive of public welfare. Governments have attempted

to create agencies that will provide credit to those people who are on the level of small wage and salary incomes, to small artisans and to farmers, all of whom at some time or other do not possess the necessary security for credit at the regular credit sources. This principle is being further applied by government in the adoption of such acts as the Industrial Development Act, the Farm Improvement Loans Act, and amendments to the Bank Act and various phases of the National Housing Act.

"The only real basis for government action along the lines indicated is that it is for the public good and in the best interests of national welfare. Any credit agency thus created by government is tax-exempt.

"4. The role of credit unions:

"In a democracy one function of government is to assist its citizens to help themselves to progress economically and otherwise within the framework of the nation. To the extent that the responsibility for their own welfare can be assumed by the citizens governments should not interfere, except and unless such action by any group of citizens is damaging to another group or individual.

"The credit union is a mechanism based on the principle of cooperation and self-help that enables individuals as a group, to supply their credit needs without injury to any other group or individual. Governments have welcomed the introduction of credit unions and have encouraged their establishment, as thereby a large portion of our population has itself through the promotion of thrift solved its own credit problems which otherwise would have become a problem of government.

"5. The function of credit unions:

"It is not our intention to describe the details of

organization and operation of the credit union. We do wish, however, to emphasize several facts:

"(1) the members of a credit union are mainly small wage and salary earners, small scale artisans and farmers. Their credit rating in commercial credit institutions is low and very few if any can at all times obtain loans.

"(2) it is the common bond of interest among individual credit union members that makes their credit organization possible. The members are motivated by a spirit of mutual aid and community interests. The credit union is a cooperative dealing only with its own members.

"(3) the regular savings placed on deposit in a credit union by its members, either on share or deposit account, are not investment funds. They comprise the dollars and cents that are idle for short periods, and which in many instances are to be found in the teapot or vase on the sideboard. By pooling their small temporary surpluses the members of a credit union create a sufficient fund which makes credit available to them as and when they require it.

"(4) the direction and administration of a credit union is by its own members. With the exception of the Treasurer, whose remuneration seldom covers his actual costs in time and expense, no other officer is paid. The time and effort of the officers of a credit union is a contribution to their group for the benefit of the entire group and usually out of proportion to the benefits they themselves derive from the organization.

"(5) the credit union teaches thrift and encourages savings by providing the facilities to its members to make their regular small deposits at their place of employment or convenient to their home.

"(6) Credit Unions should not be taxed:

"Thus in summary we suggest that:

"(a) Credit is essential to our individual and national well being.

"(b) Governments do supply credit at certain levels on the basis of national welfare, such credit being supplied at cost.

"(c) Credit union organization is motivated by community welfare and provides credit to those who otherwise could not obtain it.

"(d) The funds of a credit union are savings by its members made possible because of the credit union. Credit is made available only to its members and at cost.

"(e) The operating surplus of a credit union is to an extent the result of gratuitous service by workers in the organization.

"In view of these facts we suggest that the credit union is a service institution operating in the public interest, providing credit service at a level not reached by any other group. It encourages thrift, saving, and develops a proper community spirit essential to a democracy. The extension of credit unions should be encouraged and not handicapped or burdened by an imposition of taxes on its operating surplus. Nor should its officers be burdened with the task of completing numerous forms and reports.

"To the above may also be added the very practical considerations that are involved when a tax on savings is

suggested. We refer to the significance of savings as they affect the general problem of capital creation and employment, also the inequitable practice of double taxation which, in the case of the low income membership in credit unions, has a definite regressive effect.

"7. Positive Action:

"Governments have recognized the significance and position of credit unions in the national scheme and have exempted them from the income tax provisions. (Income War Tax Act, Ch. 97, R.S.C. 1927, Sec. 4 (q)). We request that this principle be continued and that some of the phases surrounding credit union members and federations be clarified and stabilized on a similar basis.

"A. Under Section 92, 1(ii) of The Income War Tax Act provision is made for a 7 per cent deduction at the source from the dividends payable on share capital. We suggest that this deduction is not equitable and is discriminatory as applied to credit unions in Saskatchewan, it places an extra burden of work on the officers, and therefore we request that this provision be deleted as it affects our credit unions. We base our request on the following:

"1. The funds in a credit union are deposits and not investment funds. Many of the shares in a credit union are paid for by small regular deposits to the members' accounts.

"2. The terms 'share' and 'dividend' as used by the credit union do not carry the import which they do in joint stock companies. Their use is purely for the purpose of formalizing the organization and have no reference to the significance otherwise attached to them. Members may and often do withdraw the moneys

deposited on share account directly from the credit union and almost at will. Share capital in reality is deposit funds. Dividends on these funds are comparable to interest on deposits. Thus taxation at the source should not be more applicable here than in the case of savings deposits in commercial banks.

"3. The return on share capital in the credit union is usually set at a low rate of interest and is thus comparable to the interest allowed on savings deposits in a chartered bank.

"The experience of credit unions with this section of the Act varies within each province and between provinces. The exclusion of credit unions under this section of the Act will eliminate this diversity of administrative practices and will establish equity in the treatment of members of credit unions.

"B. While the Act specifically exempts credit unions from taxation (Section 4 (q) there is some doubt whether this section also exempts provincial federations or leagues of credit unions. These federations function as central credit unions. In Saskatchewan we have at present only one organization which accepts deposits from and makes loans to credit unions, but there is no doubt that as the movement grows it will be necessary to establish regional or district organizations.

"We suggest that section 4 (q) be maintained in any new legislation resulting from this inquiry and that it be amended to include organizations of credit unions. It should clearly establish that surpluses resulting from transactions with their own members or other cooperatives shall not be considered as profits but as savings effected in behalf

of such member organizations.

"Respectfully submitted,

On behalf of the Regina Credit Union League,

Regina, Sask.,
January 22, 1945.

R. G. Flower
Val Rowen
Sol Sinclair
Dave Lyons
Thos. M. Molloy
A. C. Maclean "

.....

BY MR. PARKER:

Q. One question with reference to page five of your brief. You say: "We suggest that this deduction" -- that is, the 7 per cent -- "is not equitable and is discriminatory as applied to credit unions in Saskatchewan." Against whom, or in favour of whom, does it discriminate?

A. As against depositors and other credit organizations.

Q. You say: "The funds in a credit union are deposits and not investment funds." Is that one hundred per cent correct? A. One hundred per cent is pretty complete, but in the credit union to which I belong it would be close to 95 per cent.

Q. You heard the examination of a witness a few minutes ago in one case where they had investments of \$225,000 apparently more than they need at the present time for loaning purposes. To that extent they are carried as investments and they look very much like investments?

A. That is a very temporary, transitional situation.

Q. They are taking in and investing a lot more money than any reasonable group of men would expect to loan to their members? A. As a matter of fact, I believe the \$225,000 that was referred to is in reality deposits. Those men who have that money are depositing it at the

moment because they have that surplus. Possibly there may be an emergency next spring or in the next two or three months or even in the next month.

Q. But you would not say that there was no limit to the amount of money that could be put into one of these institutions. Suppose they should be put in literally millions when obviously they would never want to borrow more than a few thousand? A. They may have an efficient directorate, and --

Q. I am not saying that they have ever done it, but I am putting the question to test a principle. Once they put in a great deal more than they can ever expect to loan to their members, does it not become an investment organization? A. A credit union would not be able to invest funds and there would not be an investment feature to it.

Q. They invested in Victory Bonds and the interest on this investment they turned back to the members free of income tax. A. In that case it is purely a service to the members. The members themselves should invest in Victory Bonds.

Q. It is a service that enables them to secure Victory Bonds and they handle it free of income tax? A. It is a matter for this Commission to decide what should be done with it. I don't think it is for me to explain what should be done with it.

BY MR. VAUGHAN:

Q. Is it a fact that that money is received free of tax? A. At the present time it is not, because a 7 per cent deduction would be immediately taken off, and the Income Tax Department is getting the names of all those who are receiving the refund, and that would probably be joined with the individual's personal income tax return and taken off.

If I may add to that, so far as the credit unions, with which we are associated here in Regina, are concerned, I have not seen the financial statements of all, but they encourage members to buy Victory Bonds, and any director I have talked to has discouraged the attitude among his own membership that the credit union itself should buy bonds except to the extent of the 20 per cent reserve that is set up.

Q. On page three, in the last paragraph, the last sentence, you say: "The credit union is a cooperative dealing only with its own members." Would you call buying bonds dealing with its own members? A. If it became a regular practice I would say no, except to the extent that it does so in the public welfare.

Q. I understood you were familiar with a number of statements of these credit unions. A. I am not, but from my personal knowledge of one or two credit unions I know they do not encourage the buying of Victory Bonds by the credit union itself.

Q. Do you know whether they do buy Victory Bonds? A. They probably have to some extent, to the extent of the reserve.

Q. That is not consistent, then, with what you have said, that the credit union is a cooperative dealing only with its own members. It is not true to the extent that they invest outside. A. I think that we should view this situation from a long term rather than from a temporary point of view. The credit unions since their organization have always had need for every cent they could get from their members to loan to their members, but because of the prosperous condition in the last two or three years the immediate demands by their members have fallen off and consequently the credit union has

had to do something to maintain itself, to tide over this period. But the time will come, surely, when the boys come back and when some of the men who have been working in the factories and industries receiving good salaries are thrown out of employment and have to re-establish themselves in trade or in various occupations, when there will be need for assistance, and it would not do for the credit unions to refund all this money back to their members for a year or two and then try to rebuild themselves. We should not judge credit union action by the past year or two in determining the policy of the movement.

Q. But from the point of view of this temporary period that you speak of, this statement is not consistent.

A. No. I am looking at it from the point of view of a long-term policy.

BY MR. ARNASON:

Q. Would you say that another reason for the accumulation of surplus funds on the part of the credit unions is due to the restriction on supplies of various types of business activity which now prevails? A. Yes; there is no question about that. I know of several members of our credit union who would have increased their equipment if they could have got the supplies. At that time they would have borrowed money from a union.

Q. Your credit union had the choice of leaving the money lying idle or investing it in Victory Bonds?

A. Definitely.

BY MR. ELLIOTT:

Q. You are not suggesting that the returns to the members of credit unions, either on shares or on deposit, should be exempt from taxation in the hands of the individual?

A. We do not suggest that the individual be exempt from taxation.

Q. Where you say that the funds in the credit union are not investment funds, and go on to distinguish between shares and deposits, what exactly is the difference between the fund with which he has bought his share and the fund he has deposited? A. In the credit union?

Q. Yes. A. In the credit union, if I remember the Act rightly, a certain length of notice has to be given before a share can be withdrawn; that is a matter of law; but the deposit is different. A deposit is fairly readily available. But though in the case of share capital such notice must be given, in practice, if someone came in and said that he was leaving town or needed the money, the directors would not withhold it from him.

Q. The claim of the member is rather different from what it would be if he had bought a share in a bank?

A. Yes. It is my understanding that if you buy a share in a joint stock company or a corporate organization you can never withdraw that money from the company itself. You may realize on it by selling to someone else, but until the liquidation of the company you can't withdraw it.

Q. On page four, the first reason you give why credit unions should not be taxed is that "credit is essential to our individual and national well-being." Do you mean then, that banks should not be taxed? A. If I were presenting a brief dealing with taxation generally I would be prepared to answer that. However, if you wish me to answer it I can.

Q. Are you suggesting that that is a reason why credit unions should not be taxed while these other institutions are? A. I am not suggesting whether the others should be

taxed or not. I am merely suggesting that it is proper that credit unions should not be taxed. I might go further on that point.

MR. FRANCIS: The following briefs are filed but will not be read: Star-Phoenix Savings and Credit Union Limited, Saskatoon; Northern Saskatchewan Technical Agriculturists' Savings and Credit Union; La Caisse Populaire St. Hubert Savings and Credit Union, Limited, St. Hubert Mission; La Caisse Populaire De St. Front Savings and Credit Union, Limited, St. Front; Grayson Savings and Credit Union Limited, Grayson; The Pioneer Savings and Credit Union Limited.

Finally I direct special attention to the Saskatchewan Co-operative Credit Society. At the Vancouver sittings I intimated to the Commission that this would be filed, and it was this society after which the British Columbia Credit Union was patterned, that is, the Federation of Credit Unions. That is all, Mr. Chairman.

THE CHAIRMAN: What about the Riceton Union?

MR. FRANCIS: I act for the Credit Union Federation and I have no information as to that.

THE CHAIRMAN: I suggest that it be called.

THE REGISTRAR: I have called the Riceton District Savings and Credit Union, the Riverview Savings and Credit Union and the Regina Municipal Employees' Savings and Credit Union, Mr. Chairman, and no one answers.

THE CHAIRMAN: Called and default made.

MR. MILLIKEN: Mr. Gooding is here, Mr. Chairman.

THE CHAIRMAN: How far do you propose to go?

MR. MILLIKEN: It depends on examination by other Counsel.

THE CHAIRMAN: Perhaps the brief could be read this afternoon.

MR. GROSCH: That is satisfactory to me.

C. T. GOODING,

President and
General Manager,
The Dairy Co-operative
Marketing Association Ltd.,
having been duly sworn
testified as follows:

BY MR. MILLIKEN:

Q. You are the President and General Manager of the Dairy Co-operative Marketing Association Limited of Saskatchewan? A. Yes.

Q. How long have you held that position? A. Sixteen years.

Q. What is the age of the company? A. Seventeen years.

Q. What position did you hold the first year?
A. Vice-President.

Q. But not Manager? A. Yes, I was Manager.

Q. For the first year, and for the last sixteen years President and General Manager? A. Yes.

Q. Prior to that you were a farmer in Saskatchewan?
A. Yes.

Q. Had you experience in the dairy business prior to taking on this position? A. I had had experience as a producer.

Q. You prepared this brief? A. Yes.

Q. And it was submitted to the Board of Directors of your Association? A. Yes.

Q. And they approved of it unanimously? A. Yes.

Q. Before you commence reading the brief, I believe that on the third page, in the second line at the top, you wish to make a correction. The words "net worth" should be "total assets"? A. Yes.

MR. GROSCH: In this brief reference is made to

schedules. They are not attached to the copy I have and they are of importance. It consists of the contract and application form for membership and that sort of thing.

MR. MILLIKEN: They are attached to the briefs the Commission has.

MR. GROSCH: I haven't got a complete brief.

MR. MILLIKEN: We will furnish what we have.

MR. GROSCH: How can I intelligently examine the witness on something I have not seen?

THE CHAIRMAN: Technically, you cannot, but I know you are quite capable of doing so.

MR. GROSCH: Thank you, my Lord. Under the circumstances I will attempt it.

MR. MILLIKEN: If the Commission would like the memorandum and articles of association we will file them. Will you please read the brief, Mr. Gooding.

THE WITNESS: The brief reads:

"Brief submitted to The Royal Commission on Co-operatives by The Dairy Co-operative Marketing Association Limited (familiarily called 'The Dairy Pool'), Head Office, Saskatoon, Saskatchewan.

"Honourable Mr. Chairman and Members of the Commission:

"The Dairy Co-operative Marketing Association Limited herewith submits to you its brief outlining the association's aims and objects, its form of organization and the manner in which it finances and conducts its business.

"In presenting your Commission with this information we hope that we may be able to assist you in carrying out one phase of your inquiry as set forth in a minute of a meeting of the Privy Council, November 16, 1944, reported in the Canada Gazette of December 30, 1944, page 5469, as follows:

'....to inquire into(b) The organization and business methods and operations of the said co-operatives as well as any other matters relevant to the question of the application of income and profits tax measures thereto.....'

"In our submission we propose to show:

"(1) That the Dairy Co-operative Marketing Association is simply and solely a self-help organization of dairy farmers which is operated to give service to its members in the processing and marketing of their dairy products to the best possible advantage.

"(2) That in carrying out this purpose the association acts in the capacity of agent for its members and thus makes neither income nor profit as an association.

"(3) That the association in its capacity as agent follows the practice of making two payments to its members:

- (a) an initial payment when the product is delivered and
- (b) a final payment when the product has been ultimately disposed of.

"(4) That the total payment to members represents the entire price received for his product less only the cost of operating, and conducting the business of the association; and that all revenues received are allocated to the members in the interval between the initial and the final payments on the basis of each individual member's deliveries.

"General Information:

"The Dairy Co-operative Marketing Association was organized at Saskatoon in the province of Saskatchewan in the year 1927 by a group of milk producers living in the Saskatoon milk shed area and incorporated under the Saskatchewan Co-operative Marketing Act. Since that time,

pursuant to the Act and amendments thereto, the association has carried on its operations, has increased its membership, and expanded its operations to take in dairy producers of the Prince Albert and Melfort milk sheds as well. In its initial stages the association was engaged in the marketing of fluid milk only but as it developed it accepted cream shipper members as well and is now engaged not only in the distribution of fluid milk but in the manufacture of butter, cheese and dried milk powder. The association today operates eight creameries and five cheese factories in these areas and supplies the fluid milk market at Saskatoon, Prince Albert and Melfort.

"At the end of the last financial year, the balance sheet as of December 31, 1943, showed the total assets of the association to be \$705,728.37. The members themselves have accumulated this net worth solely through their delivery of dairy products and without any outside assistance from any source whatsoever. At the end of 1944 the association had approximately 12,000 participating members.

"Aims and Objects:

"The object of the Dairy Co-operative Marketing Association from the time of its inception has been to provide service at cost to those dairy farmers who became members of the association in the marketing and processing of their dairy products.

"This object is clearly set out in the by-laws of the association in Section 19 as follows:

'The business of the association is to be conducted on such a basis, that, so far as possible, no profit shall be taken from, charged to, or exacted against any member of the association on the marketing of any dairy products for such member of the association.'

"(NOTE: The Memorandum of Association and the by-laws may be obtained from the Department of Co-operation, Legislative Buildings, Regina, Sask.)

"The association further has aimed to improve the quality of the members' products and to improve marketing methods, thus reducing marketing costs.

"Form of Organization:

"The Dairy Co-operative Marketing Association is organized on a membership basis and has no share capital. Any person producing milk or cream is eligible to join the association and may become a member upon payment of the membership fee (\$3 in the case of cream producers, \$10 in the case of fluid milk producers).

"The association has the authority, as outlined in its by-laws, to undertake and carry out in such parts of the province as the Board of Directors may decide, all kinds of operations connected with the marketing, selling, processing, preserving, drying, manufacturing, grading, storing, handling and utilization of all dairy products.

"The association also has the authority to acquire and operate processing plants, storage facilities, etc.

"In order to keep accurate records of all transactions and allocate each individual member's share of the association equitably, the association is divided into three sections: (a) the milk shippers' section (b) the cream shippers section, and (c) the cheese milk shippers' section. Every member of the association has one vote at annual meetings of the association at which policy is decided and at which the Board of Directors is elected. Each section of the association is represented on the Board of Directors.

"Milk Shippers' Section:

"Dairy producers who join the association to market fluid milk, sign a yearly, self-renewing contract binding on both the association and the milk shipper which may be terminated by either party giving notice in writing three months prior to the expiry date of the contract. Initial payments are made throughout the year to the shippers of fluid milk. The milk pool is closed at the end of each financial year and the milk shipper's share in the pool is allocated to him on the basis of his deliveries, by resolution of the Board of Directors at the time the pool is closed. In order to dispose of fluid milk to the best advantage of the members, the association has found it advisable to manufacture dried milk powder. (We are attaching hereto a copy of the milk shipper's contract.)

"Cream Shippers' Section:

"Cream producers who ship cream to the association become members on payment of a fee of \$3 and receive a certificate of participating membership. There is no contract. Cream shipper members receive an initial payment based on market conditions at the time they deliver their cream. The cream pool is closed at the end of each financial year and the cream shipper's share in the results obtained from processing his cream into butter are allocated to him on the basis of his deliveries, by resolution of the Board of Directors at the time the pool is closed.

"Any person who delivers his cream to the association prior to taking out membership becomes an 'associate member' and his share of the pool is credited in the same manner as that of a 'participating member', but final payments are withheld until he takes out membership. (We are attaching hereto copies of participating and associate

membership certificates.)

"Cheese Milk Shippers' Section:

"Cheese milk shippers become members of the association in the same manner as the cream shippers and the same rules apply regarding initial and final payments in this section as in the cream shippers' section. (The same certificates are issued as for cream shipper members.)

"Financing:

"The Dairy Co-operative Marketing Association, since it issues no shares and has no share capital, secures its funds for operating expenses and conducting the business of its members by using monies derived from the sale of its members' products. The revenue of the association comes from a series of transactions in which the association acts in the character of agent for its members. At the end of a certain definite period which the Board of Directors may determine -- usually the end of the financial year -- the association closes its pools on operations, ascertains operating costs and total receipts from each member for that period and allocates to each member on the basis of individual deliveries the total receipts from sales of the member's products, less operating costs. Part of the sum due to each member already has been paid out as an initial payment at the time the product was delivered. The remainder stands to his credit.

"The Pass Book:

"The association has adopted the 'pass book' system for crediting each member with his share in the association. Each member is issued a pass book similar to those in use by banks, in which his share of the association's net worth is shown. Each year when the pools are closed, the pass books are called in to head office of the association

to be posted to date. When the pass books of all members are in, and the sums posted therein are totalled, the result will give the net worth of the association. In each pass book is a notice calling attention of the member to the fact that amounts credited to him are part of his income and are liable to income taxation. We are attaching hereto one of the pass books in use by our members.

"Revolving Door and Reserves:

"While each member's share from the processing and sale of his products is credited in his pass book at the end of each pool period, final distribution of payments may be delayed at the discretion of the Board of Directors in order to provide the association with the necessary reserve funds for carrying on the members' business most efficiently and with the greatest service to them.

"As soon as the association accumulated sufficient reserve funds to serve its members efficiently and safeguard their operations as a cooperative, the Board of Directors authorized the return of delayed final payments under the revolving door plan. The revolving door plan began in 1936 with an eight-year door for milk shipper members and a six-year door for cream and cheese milk shipper members. This means simply that distribution of final payments are delayed eight years in the case of milk shipper members and six years for the other two sections. From the time the final payments were first disbursed, the 'door' has revolved annually without interruption. Each year it revolves to release to milk shipper members the final payments credited to them eight years previously and to release to cream shipper members and cheese milk shipper members the final payments credited to them six years

previously. Since the door began to revolve in 1936 the amount of final payments released to members to date totals \$181,109.36. By adopting the revolving door plan of returning all proceeds except operating costs to members the association has been able to achieve its chief object, namely, to give the producer the entire net proceeds from the sales of his products.

"We have mentioned above that the distribution of final payments to members has been delayed to enable the association to build up sufficient reserves to carry on the members' business efficiently and to give them the greatest service possible.

"This dual purpose is served by withholding final payments for a limited period of time not only to provide working capital but also as a source of collateral against which sums may be advanced to members in times of general emergency or to assist members in the development of their dairying activities. The interest of each individual member in the association is safeguarded in that advances are, in all cases, limited to amounts not exceeding 50 per cent of the amount standing to the credit of the respective members in their pass books. All advances are secured against these credits until the advances are repaid.

"An outstanding example, in the association's case, of how its members were assisted in a year of disaster may be found in what occurred in 1937 which was a year of total crop failure in most areas in Saskatchewan. In that year more than \$50,000 was used by the association to purchase feed supplies for its members. The feed thus made available to dairy farmers who were members of the association resulted not only in keeping their herds intact at a time when valuable foundation dairy stock all over the province was

going to the block for practically nothing, but the community generally was served because milk production was maintained in areas in which the association operated, at its approximately normal level. This, we believe, is a practical demonstration of how the members of this association have practiced self help.

(Authority for using reserves in the above manner may be found in the Memorandum of Association, §D....."To advance money to its members on such terms as may seem expedient.")

"Other Reasons for Delaying Final Payments:

"There are a number of other sound reasons why final payments due members should be retained for a number of years to enable the association to operate to the greatest possible advantage of its members. Some of these reasons may be listed as follows:

"1. The right to use the final payment of members for a fixed period gives the association the use of capital to carry on and extend its operations without the necessity of borrowing from the banks. Thus interest payments are avoided and savings made for the members.

"2. Allow the management of the association normal marketing opportunities such as refraining from dumping goods on a distressed market.

"We wish to call the attention of the members of the Commission particularly to the fact that in withholding final payments for a fixed term and using these in the manner above described, the association neither pays interest to the members on the sums withheld nor does it charge them any interest on advances made to them in the way which we have outlined.

"Conclusion:

"In the foregoing account we have tried to give you, briefly, a picture of how and why the Dairy Co-operative Marketing Association operates.

"In conclusion, we trust that this information may be of some value to your Commission in its deliberations. May we assure you that if you require any further data we will do our best to supply it.

"Respectfully submitted on behalf of The Dairy Co-operative Marketing Association.

Saskatoon, Sask.,
January 20, 1945.

Sgd.: C. T. Gooding,
President & General Manager."

.....

I may say that the reason we found it necessary to process dry milk was the fact that in the earlier span of the organization there was no market for skim milk, and the common practice was for large quantities of skim milk to be wasted down the sewer. We thought it necessary in the interests of economy to install our own drier and we started drying milk.

MR. MILLIKEN: I suppose, Mr. Chairman, there is no possibility of finishing with this witness tonight.

THE CHAIRMAN: Have you any objection to being here tomorrow, Mr. Gooding?

THE WITNESS: I have an appointment in Saskatoon tomorrow, Mr. Chairman.

MR. GROSCH: I will attempt to do what I can, but I have not had an opportunity of reading these documents. The financial statement is most important. However, with what I have I am prepared to go on.

MR. PARKER: This is one of the most important briefs

we have had to consider. The financial statements which have been handed in contain only the balance sheet for 1944 and it seems to me that to do justice to this inquiry, Mr. Gooding ought to be asked to bring with him when he comes again copies of the detailed operating accounts and balance sheets from 1938 to date.

MR. MILLIKEN: Detailed what?

MR. PARKER: The balance sheets and operating accounts. We are trying to inquire into the method of operation of this concern and not merely the results.

THE WITNESS: It is rather embarrassing. We are very happy to give any information desired with regard to operating and financing generally, but I understand that our competitors are here and we are not particularly keen to give such information to them unless they are willing to do the same.

THE CHAIRMAN: That has happened all across the country. We are trying to find the facts, and the only way was to get them by having the documents. Mr. Gooding has decided to come back on Saturday morning and we shall be glad if he will bring such documents as will enable us to inquire fully into the situation. Is that satisfactory to Mr. Milliken and Mr. Gooding?

MR. PARKER: So that there will be no misunderstanding, he will be expected to bring copies of these sheets.

THE WITNESS: Will they be presented to the public?

MR. PARKER: May I put it this way, subject to the Chairman's instructions. This is a public inquiry and once documents are filed with the Commission, as I understand, they are public documents and any person can have access to them. This is not an examination in court.

THE WITNESS: I would like to get some authority if that is what I have to do. If those are your instructions, I want some authority from my directors. If the information is to be made public so that it will be of a nature that is not conducive to ordinary business methods we might want to withdraw.

MR. PARKER: It is a little too late for that. You have filed your brief and we want it all.

THE WITNESS: The only thing is this. I do not think it is fair to ask any organization questions affecting its operations, especially when the competitors of that organization are present and are waiting to take up anything that is given.

THE CHAIRMAN: It may be a disadvantage, but the general benefit of the public is at stake, and that is what we have been required to investigate.

THE WITNESS: Shall we be allowed to ask the same privilege from others?

MR. MILLIKEN: You have the right to ask for similar information from others who care to present briefs.

THE CHAIRMAN: Quite.

MR. MILLIKEN: If any of your competitors presented a brief you would have the right to ask for the same information.

THE CHAIRMAN: We do not want a breakdown, but your accounts.

THE WITNESS: All right, sir.

MR. PARKER: You have a chartered accountant. You have auditors, I presume?

THE WITNESS: Yes.

MR. MILLIKEN: In view of Mr. Gooding's objection to, or hesitancy about, filing statements I am wondering if the

nature of the organization makes it necessary to go much into detail. You will see from the contract before you that it is an agency operation, and they deduct actual expenses.

THE CHAIRMAN: Will not that be reflected in the statements we are asking to have produced?

MR. MILLIKEN: That does away with a good deal of checking into statements that are necessary with other types of organization.

THE CHAIRMAN: You may know the fact, but we do not.

MR. MILLIKEN: It is purely an agency contract on which they are allowed to deduct nothing but actual expenses.

THE CHAIRMAN: Until we have heard the case we cannot say what the facts are. The witness should be supplied with all documents to show the transactions he has carried on.

MR. MILLIKEN: It may not be possible to present the memorandum and articles by Saturday because we shall have to have them typed at the Parliament Buildings, but they will be filed as soon as we get them. Will that be all now, Mr. Chairman?

THE CHAIRMAN: Yes. That is all for the moment.

The Commission thereupon adjourned to meet on Friday, February 2, at 9.30 a. m.

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Regina,
Friday,
February 2, 1945.

The Commission met at 9.30 a. m., Mr. Justice McDougall presiding.

MR. PARKER: Mr. Bickerton, representing the United Farmers of Canada, Saskatchewan section, will present a brief this morning on behalf of that organization.

G. R. BICKERTON,

Research and Publicity Director,
United Farmers of Canada
(Saskatchewan Section),
having been duly sworn
testified as follows:

BY MR. PARKER:

Q. What position do you hold in this organization?

A. Research and Publicity Director.

Q. Just what is this Association that you are representing this morning, in a word? A. I realize what you want to know. We are a membership organization of farmers.

Q. Individual farmers? A. Yes. At the present time there are 30,000 members, and in local units they meet regularly to discuss various problems, and within the membership we have every nationality that there is in the province of Saskatchewan -- and there are many. It is a non-sectarian and non-political organization and they work together by central annual convention.

Q. This is not a federation, a number of local units, but one big organization with individual membership?

A. Yes.

Q. Does it take in all of what we would call the organized farmers of the province? A. No. It is simply a membership organization of individuals. In order that the Commission may have a little idea of the way the set-up

of the organization is conducted in the province -- I notice it has not been spoken of at all in any of these hearings -- I may say that the United Farmers, along with the various other bodies you have heard here, have an organization known as the Saskatchewan Federation of Agriculture, upon which there is membership of United Farmers, Wheat Pools, Co-operative Wholesales and many other organizations. They come together as a body to discuss among themselves the problems that each may have. They may come to certain findings, and by resolution action may be decided upon which will go on to the Canadian Federation of Agriculture, and there we complete the organization right from the local units all the way up to the Canadian.

Q. Anyway, you are the voice today of 30,000 organized farmers? A. Yes.

Q. Tell us how the brief was prepared and to what extent you are in a position to say that it expresses the views of the organization? A. It is pretty well within the policy of the organization. We are controlled by policy laid down by the mandate of annual conventions from year to year and the constitution of the organization. At a meeting held about three weeks ago of the executive and the board, the executive decided that a brief should be prepared and presented to this body.

Q. How big is the executive? A. There are seven members on the executive and I was requested to prepare the brief and present it to the Commission.

Q. After you had prepared it did you submit it to the executive for approval? A. Yes. It has been submitted back to the executive and to the board, of which there are

twenty-one members, and the board and executive have approved of the submission.

THE CHAIRMAN: Does your body exercise any financial or directive control over any cooperatives in the province?

THE WITNESS: None whatever.

THE CHAIRMAN: That is, you do no business?

THE WITNESS: We sell nothing. We do not sell nor do we buy; we are simply, as I say, a membership organization that actually gave birth to all of these organizations. We meet at times and exercise our prerogative to chastise them.

THE CHAIRMAN: You advise them?

THE WITNESS: Wherever we can.

BY MR. PARKER:

Q. Whether they take your advice or not?

A. Unfortunately, sometimes they do not: but we sometimes have to treat them as a good mother treats a bad child.

Q. However, that is the purpose? A. Yes, we are somewhat of a watch-dog.

Q. Will you proceed to read the brief? A. I may mention that there are one or two little corrections that have to be made. I will explain them as I go along.

"United Farmers of Canada (Saskatchewan Section) -

"Memorandum on Cooperative Development to Royal Commission on Cooperatives - January 1945,

"Mr. Chairman and Members of the Commission:

"In submitting our memorandum we wish first to give a brief review of the organized movement we represent:

"The Territorial Grain Growers Association was organized in 1901 and at the Annual Convention in 1906 the name was changed to the Saskatchewan Grain Growers Association. In 1922 the Farmers' Union of Canada was organized, and in 1926 these two organizations amalgamated, and at a convention



held in the City of Moose Jaw, March 1927, the organization, by an act of the Saskatchewan Legislature, officially named the 'United Farmers of Canada, Saskatchewan Section, under which name the organization has since continued to function.

"Through the convention records of the movement, it is clearly indicated that many of the early settlers had come to this new land, with a remarkable knowledge of co-operative principles and management and the movement which at present we represent, has throughout the years continued to be the medium through which education of the principles, ideals and objectives, of cooperation has been conducted, thereby carrying out a basic constitutional mandate, 'To promote cooperative buying and selling among its members.'

"Those yet residing in our province (and there are many) who attended Annual Conventions of the farmers' organization during the rise of cooperative enterprises, can well remember the many statements by attending delegates, 'That the dividend savings from cooperative purchases in the Old Country had made immigration to Canada for many settler families possible.' With such cooperative background it was quite natural that those principles and ideals would soon reflect in the discussions and resolutions of the farmers' movement, and also that action to promote cooperative buying and selling would be actively engaged in very early in the pioneer years of our province.

"That settlers with similar backgrounds and desires were also in Manitoba and Alberta, was reflected in the addresses to Annual Conventions by fraternal guests, representing farmers' organizations in our sister provinces.

"From the very commencement of the organized farm movement of the Prairie Provinces to the present time the

major activity has been devoted to education designed to promote cooperative buying and selling, with advice to adhere as near as possible to the well known Rochdale principles, the advice policy at all times has been free, unlimited membership, prevailing prices or changes for goods or services, capital to be provided by the members, one member one vote, patronage dividend, and business by cash on a non-profit basis. As the early settlers were engaged mainly in producing grain, it was to be expected that their attention would be devoted mainly to combining their efforts to organize some method to control and market such products. The following excerpts taken from Convention records will indicate the cooperative progress within this province:

"Territorial Grain Growers Association, Regina, December, 1904 - 'The practical problem is how can the farmers of the Northwest Territories cooperate to secure increased profits from the sale of their \$12,000,000 worth of wheat? The most practical way appears cooperative selling.'

'It is not proposed that this Association should become a trading company, but that within its membership a cooperative trading association should be formed, to which the present Association should stand in the relation of a foster parent.'

"Territorial Grain Growers Association, Moose Jaw, February, 1906 -- Introducing a resolution that had been unanimously carried by a large assembly of farmers at Sintaluta, Sask., Mr. E. A. Partridge stated that, 'The meeting at Sintaluta was called to institute a scheme for the cooperative marketing of grain by farmers. It is part of that temple of equity which society is slowly rearing



as civilization's crowning monument -- Cooperation -- the "Cope-stone" of which is practical brotherhood."

I did not include the resolution I speak of there. It is a very lengthy one and I did not think it was necessary to do more than refer to the fact that such a resolution had been passed. Continuing:

"That resolution marked the subsequent establishment of the 'Grain Growers Grain Company Limited', later to become the United Grain Growers (U.G.G.). This action, however, apparently did not satisfy the needs of the farmers, as while the enterprise provided a means to market the product, there yet remained the greater problem of assembling and storing grain. Consequently, at the February Convention of the Saskatchewan Grain Growers Association the subject of the 'Provincial Government providing a system of internal elevators' was introduced. Also at this Convention the matter of a plan of Cooperative Hail Insurance was discussed.

"At the Convention held in Saskatoon, February 1908, the following resolution was carried:

"RESOLVED: that the Convention place itself on record as being strongly in favour of Dominion government-owned and operated terminal elevators, and also a system of Provincial government-owned and operated internal storage elevators at internal points, where the grain would be both weighed and graded through Government agency, with provision for creating a sample market at Winnipeg.

"While the above resolution was carried, the records show that a strong element of the Convention was not in favour of government ownership nor was the government of the province favourably inclined.

"The subject was further discussed at the 1909 Convention at Weyburn, and at the Prince Albert Convention at 1910. A resolution was read and approved which had been passed by the Provincial Legislature that 'having regard to the admittedly numerous and intricate details involved in the solution of a problem of such magnitude begs to report to the House that a commission be appointed by the Government for the purpose of making a searching inquiry into the proposals looking to the creation and operation of a system of elevators to effect the objects outlined by the Grain Growers Association and to report its findings with all convenient speed so that action may be taken to give relief to the coming grain season.'

"This commission was appointed and conducted an inquiry throughout the province and at the 1911 Annual Convention of the S.G.G.A. the delegates 'by an almost unanimous vote decided to accept the scheme of cooperative elevators with government assistance such as was recommended by the Saskatchewan Elevator Commission.' This decision was made with great enthusiasm, and the records indicate that delegates who had had previous experience in cooperative buying had been stricing to apply the same principles in regard to the ownership of the facilities necessary to make cooperative selling possible. This decision provided the way to establish the 'Saskatchewan Cooperative Elevator Company.'

"At the Annual Convention, Regina, February 1912, it was 'Resolved that this Convention urge the Dominion Government to enact the law providing for the passing of the incorporating of Cooperative Societies.'

"At about this period the educational service of the organization began to be very effective. This is clearly

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shown in the report submitted by Secretary Fred W. Green, to the Annual Convention in Saskatoon, February 1913.

"The report states, 'Another thing is the great number of local associations desirous of building their own halls. This indicates a natural desire for a permanent home around which shall be fostered the growing farmers' cooperative non-profit brotherhood spirit. Already a number of halls have been built and several locals are making preparation to do so. Another noticeable tendency is the growing desire for cooperative effort. All over the country hundreds of our local associations, in some form or another, are trying to put into practice the spirit of practical cooperation, in their endeavour to reduce their expenditure and thus, in the general interchange of commodities, secure a larger share of the wealth they create.'

"At the 1914 Convention in Moose Jaw the President, J. A. Maharg, in his Presidential address, stated in part, 'The first and greatest essential is right within our own reach and can be had free of charge. This great essential is the spirit of true cooperation, buying or selling or both on a cooperative basis, laying great importance on the distribution of profits cooperatively.'

"Then followed the years of World War Number One during which time the price of all goods and services increased, and while the price of farm products also increased, the prices of goods which farmers must buy increased in higher proportion.

"This situation developed the urge among farmers to engage in cooperative buying, and in consequence the Saskatchewan Grain Growers Association engaged in an educational campaign of advice on how to start and operate



a cooperative store or buying unit, and stressed the need for strict adherence to the Rochdale principles of distribution of savings (patronage dividends) commensurate with individual purchases, cash for all purchases, one man one vote, and open membership. Many of these stores, mainly through straying from the above principles, did not long survive. It is, however, a noticeable fact that the operators of cooperative stores who maintained a strict adherence to those principles, steadily developed in importance to the business and social life of the peoples in their communities, and continue to be flourishing and service enterprises today.

"The trading units were largely comprised of locals of the Saskatchewan Grain Growers Association, wherein members paid a small fee to become incorporated, and simply pooled their purchases of coal, wood, lumber, binder twine, barb wire, and other goods, charged themselves retail list prices, and returned the savings to themselves at the end of their financial year.

"These people did not make individual purchases at all. They paid their money to the purchasing agent (usually the Secretary of the Local) who purchased the collective requirements; each individual then took delivery of his proportionate share of the goods, which he had paid for when the decision to make the collective purchase was made. They had no store, but a number of these trading units did retain a portion of the savings created by their collective purchases, for the purpose of building coal sheds at railway points, and to avoid demurrage, these sheds were also used as storage sheds for wire and twine, etc. until the owner took delivery of his goods.

"This branch of farmers activity combined with



cooperative store development grew to such proportion that the need for a centralized purchasing agency became evident, and in consequence the delegates attending the 1915 Convention decided to establish a Saskatchewan Grain Growers Association Trading Department. This Department proceeded to engage in wholesale buying for delivery to the trading units and cooperative stores. The trading delegates met in separate convention at the time of subsequent Annual Conventions of the Association.

"As the War progressed during the years, 1916-17-18-19, prices of goods continued to soar to fantastic heights, and in 1918 wheat prices, which had hitherto been lagging, also went on the upward rise. The Dominion Government then established a 'Wheat Board' to take control of the entire crop, and set an initial price of \$2.21 per bushel basis number one (1) Fort William.

"As wheat prices on the uncontrolled market had gone as high as about \$4.00 per bushel, there were some farmers who resented the Government's price action. However, the resentment did not go far as organized farmers quickly realized that this type of service was the very thing they had long wanted.

"Despite the fact that it was administered by a Government Board the service actually carried out the non-profit features of cooperative operation to a far greater degree than farmers could otherwise hope to achieve. It should be noted that although this Government service was a huge business concern, there was no taxation imposed. This Government Board was simply acting as selling agents to whom the farmers would consign their wheat. It was only interested in the price it could secure for the volume delivered to purchasers. It was not involved in

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profit making. It paid the producer a set price in accordance with grade, and also gave to him a participation certificate, wherein the Board was committed to ultimately pay to the producer any sum in excess of the initial payment that had been secured in the selling of his wheat.

"Farmers were so enthused with this Government service, which had eliminated many costly extravagancies, that the delegates attending the 1920 Annual Convention of the Saskatchewan Grain Growers Association, unanimously requested the continuance of the Wheat Board.

"The Government, however, discontinued the operation of the Board despite delegations conferring with the Government and the 1921 Convention demand for the reinstatement of the service under a wheat or grain board, the Government decided otherwise.

"At about this time the attention of a few Saskatchewan farmers became focused upon an effort in the United States to organize the marketing of agricultural products under the Rochdale plan of cooperation.

"Mr. Harry Swartz corresponded with the Chicago law firm who were engaged in this organizing endeavour, and was informed to the effect that experience showed the Rochdale technique which proved to be successful in cooperative buying could not fulfil the requirements of cooperative selling, and that in order to find the way to organize cooperative selling, and retain as much as possible the Rochdale principles. A member of the law firm, Mr. Sapiro, had gone to Denmark to study and learn the methods used in that country, where cooperative marketing had been successfully developed to a very high degree.

"In 1922 a number of Saskatchewan farmers organized the Farmers' Union of Canada and the above named Mr. Swartz

was appointed Secretary.

"In 1923 at the invitation of the Farmers' Union of Canada Mr. Sapiro came to this province and explained a plan of pooling products under a contract between producers themselves.

"While we have no hesitation in stating that the farmers would have preferred the re-establishment of the Government operated Wheat Board, they however very enthusiastically accepted the Pool plan of marketing products, which contained the non profit and other principles of cooperation.

"The Saskatchewan Section of the Farmers' Union of Canada and the Grain Growers Association very soon combined their efforts in a campaign to secure contract signers in sufficient number to market wheat from the 1923 crop under this plan. The time factor was however against the canvassers securing the agreed minimum number, consequently the 1923 crop was not marketed through the pooling method. However, an adequacy of signed contracts were later secured and the 1924 crop of members was marketed through their own organization, the Saskatchewan Wheat Producers Limited (The Wheat Pool).

"Farmers who signed contracts were fully aware that to maintain the maximum control of their products, would also necessitate the ownership of elevators to take delivery of grain and assemble same for shipment. They also were aware that their operations would for some time involve heavy bank borrowings. They therefore agreed to a two cent per bushel deduction for commercial reserve, such reserves to reduce yearly the amount of bank borrowings."

In the last sentence of the second paragraph on page seven the brief reads: "They therefore agreed to a



two cent per bushel deduction for commercial reserve, such reserves to reduce yearly the amount of bank borrowings? This should read: "They therefore agreed to a two cent per bushel deduction for elevator construction or projects and one cent for commercial reserve, such reserves to reduce yearly the amount of bank borrowings." Continuing:

"This campaign for contract signatories brought out demonstratively the evidence of cooperative understanding among the farmers, a great many of whom had been in the position to hold their wheat on their farms, and sell at a usually higher price during the following spring or summer, but with full knowledge that all members under the pooling plan would receive the average price only, according to grade, regardless of when the grain was delivered by the producer, within the current crop year, signed contracts, more readily than many others who were in less favoured circumstances.

"Following the active operation of the 'Wheat Pool' and the construction and purchase of grain elevators by the members to make their assembling and marketing plan effective, farmers turned their attention to similar contract plans for the cooperative assembling and marketing of other farm products.

"The Women's Section of the Saskatchewan Grain Growers Association had for some years, been endeavouring to discover a way to market poultry and poultry products co-operatively, and in association with the Women's Section of the Farmers' Union of Canada, the Saskatchewan Co-operative Egg and Poultry Pool was created in 1926.

"In the Village of Delisle in 1926 a group of farmers, under the Chairmanship of Mr. W. D. Mackay, decided by resolution to form the Saskatchewan Livestock Pool under the

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contract plan.

"In 1926 at a joint convention in the City of Saskatoon the Saskatchewan Grain Growers Association and the Farmers' Union of Canada decided to amalgamate and through this decision the United Farmers of Canada was created.

"In 1927 in a farm implement warehouse in Saskatoon a group of farmers met and by resolution decided to organize the Cooperative Dairy Pool under the membership contract plan.

"In 1928, after considerable preliminary work, the Trading Department of the United Farmers of Canada was transferred, and became the foundation of the Saskatchewan Co-operative Wholesale Society, following which an extensive campaign to promote local cooperative buying units were engaged in.

"The financial and economic collapse of 1929 which rocked the world economy to its very foundation also affected and disrupted the operations of our cooperatives more particularly the enterprise of major importance to the farmers, the 'Wheat Pool'.

"After five years of operation which had been eminently satisfactory to the owner members they were caught with having made an overpayment to themselves on the grain delivered from the 1929 crop, and as the few years of operation had not allowed reserves of sufficient magnitude to be available to finance the large sum required to make necessary payments at the time of delivery, money each year had to be borrowed on the security of the grain to make such payments, and as grain prices had dropped below the amount of the advances made, quick action had to be taken to cope with this embarrassing situation.

"Then followed the years from 1930 to 1937 inclusive

of crop failures and low prices which combined with financial stagnation affected every farm home, every trade, business and profession in our province. The Cooperatives, nevertheless, weathered the storm, and indeed continued to progress during those adverse years, and while many farmers lost considerable equities in their individual farms, they jealously guarded the collective equities they had established in their cooperative enterprises.

"In all the above activities the farmers' economic membership organization took the educational lead 'To promote cooperative buying and selling among its members', and through the many campaigns that have been conducted by the economic organization a very widespread knowledge of cooperative principles have been gained by farmers and others throughout the entire province, and that those principles were accepted and desired is reflected in the very large number of farmers who have membership in one or more of the many Saskatchewan Co-operative enterprises.

"There are cooperatives other than those herein named that are operating under similar principles that the economic organization played no direct part in creating. It is, however, of great satisfaction to the members and officials of the economic body to know that the educational ground work of many years has succeeded in developing the necessary knowledge to enable the creation of new co-operative enterprises to be promoted without assistance, other than that the economic organization will continue, with its cooperative education, and urge the further development of cooperation.

"The above is generally a historical review of the farmers' movement and the development of cooperation in

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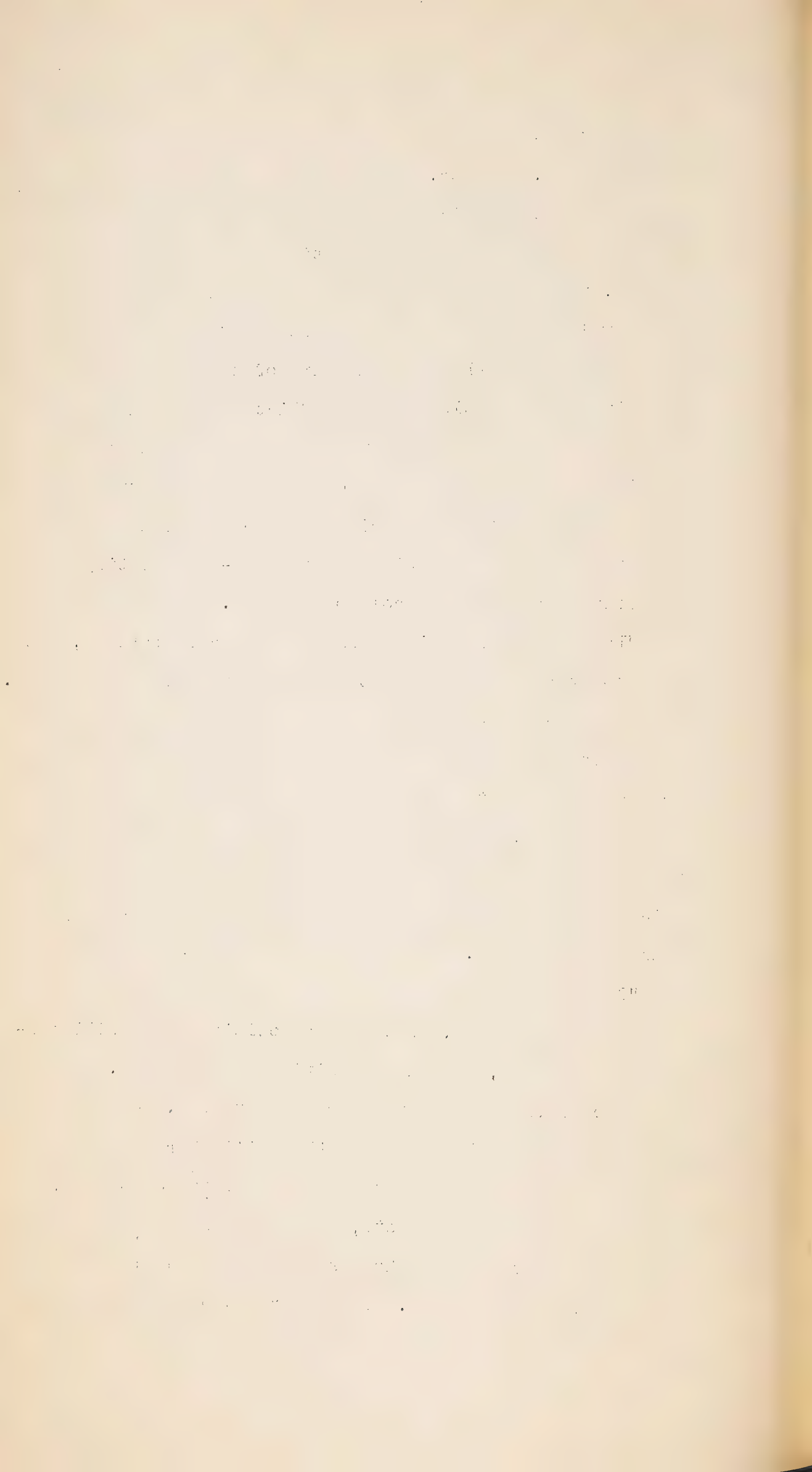
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"We wish, however, to state that the entire cooperative movement is a practical and active protest against the extravagancies and costly duplications of the competitive system, under which and through which business animosities are developed, and as the greed for profits further develops it reflects into the trade affairs of nations thereby causing bitterness, jealousy and conflict between the peoples of nations. The common people are caught in the vortex of profit making inequalities and must either silently submit to profit exploitation or rise and protest with the use of cooperative action to guide a Christian-like destiny for themselves and for the whole of mankind.

"In the matter of imposing a tax on cooperatives, we wish to state that we see no reason to impose any such tax.

"Cooperative enterprises are established by the people who create them; they create them for the purpose of supplying themselves with goods and services at cost, they seek not for profit, rather do they consider that they can provide themselves with necessary services at a cost less than that which others who seek profit would be willing to perform these services for.

"Cooperatives recognize that while they move forward in their development, that the competitive trade will continue to operate, and in recognition of that fact, and also that cooperation is an evolutionary movement, cooperatives agree (perhaps foolishly) that they will charge themselves the same price for goods or services charged by others, and receive back at a later date, the amount of such cost or service savings whether those savings be from elevator operation, trading units, or any service of a cooperative nature.



"Recognizing also the need of development and expansion capital, the members of the various cooperative enterprises, almost without exception, agree to allow their savings or earnings to remain in the enterprise until such time as the development or extension programme is fairly complete.

"It must be remembered that such saving is the sole property of each individual member, and the amount of same must be recorded to his or her account year by year. As the cooperatives are varied in their operations, different methods of returning the savings are used, such as the straight patronage dividend returned each year by a trading unit that has very little equipment, and the revolving door plan used by cooperatives, that require the use of savings for a number of years to develop the enterprise. This plan designs to return in say 1938 the savings created by an individual member in 1928.

"In conclusion we wish to state that regardless of what others may think or assume, it is the firm belief of the agricultural section of our nation, that free competition cannot survive in a highly concentrated modern economy and the people are left to choose between accepting highly capitalized monopolies at their price, which must include adequate profit, or the cooperative way of performing the services themselves, whereby none will profit greater than the other but wherein all will reap satisfaction with the knowledge that the non-profit way of cooperation is the Christian way toward establishing the Brotherhood of Man.

"All of which is respectfully submitted:

United Farmers of Canada (Sask. Section)."

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THE CHAIRMAN: I think I should tell you, Mr. Bickerton, that this is a very well put together document.



THE WITNESS: We thought, Mr. Chairman, knowing our family fairly well, that their mind is pretty much concentrated upon the commercial activities of their own particular institutions, and as we are not bothered with selling anything at all, or even buying, we do keep our minds away from that aspect of things. We had an idea that possibly it might be of use to the Commission to have some knowledge, however brief it might be, of the evolutionary rise towards what we are now dealing with.

BY MR. VAUGHAN:

Q. From the last paragraph in the brief, is it to be inferred that other methods are non-Christian? A. I would have to leave the individual to answer that for himself. When we stop to review the world as it is today, there are a great many people who have doubts as to whether world economy has been developing on Christian lines. We have been trying to see the light anyway.

THE CHAIRMAN: But that does not exclude other ways?

THE WITNESS: No; nor does it criticize the thoughts, the ideas or the actions of individuals, or individual efforts.

BY MR. VAUGHAN:

Q. But you seem to stress the words "the Christian way toward establishing the Brotherhood of Man." I thought that perhaps the way here proposed was suggested as the only Christian way. A. It is not intended in that way.

THE CHAIRMAN: Would you change the word "the" to the word "a"?

THE WITNESS: That is fine.

BY MR. FILLMORE:

Q. Assuming that private enterprise does not survive but is replaced by the cooperative form of enterprise, what is your idea as to how Government should raise the necessary

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revenue to carry on the functions of administration?

A. If cooperative enterprise displaces private enterprise the Government will have to function through cooperation, and through cooperation would be derived the means of maintaining administrative bodies.

Q. You say that from cooperative enterprise there would be derived the means of maintaining the Government?

A. From the people who are contained within cooperation.

THE CHAIRMAN: Do you not mean, Mr. Fillmore, what is the ultimate aim of cooperation?

BY MR. FILLMORE:

Q. I am assuming that all business operates according to the cooperative form. You say that Government revenue should be derived from the taxation of individuals only?

A. It does not make much difference. The Government gets taxation either directly or indirectly from individuals. Private corporations do not pay income taxes. Income taxes are paid by the individual members that do business with the private corporations. The private corporations are simply the agency through which income taxes are paid to the Government, and the same would apply whether private organizations or private enterprise got entire control or whether cooperative enterprise got entire control. It would still be individuals who would be responsible for income tax. The private individuals who are engaging themselves in cooperation are paying income tax on whatever proportion of dividends they may get back, which adds to the amount they individually secure throughout the year; because, in making their statement to the Income Tax Department, they must disclose whatever patronage dividends they get. So that income tax is paid whether it is in the form of excess profits tax or whatever it may be. It is still paid.



Q. Do you realize that at the present time some individuals are taxed more than others -- that is, they are taxed twice because the company is taxed in which they have shares, and when they get dividends, through personal income tax, they are taxed again? A. I don't see that it is hurting anybody. I have not heard of private business having gone out of commission since the time the excess profits tax was imposed. I know a lot of them that were ready to go out of business before it was, but not since that time. I keep track of various things that happen and I cannot see any harm that has been done, notwithstanding the hue and cry that they are being discriminated against because of tremendous taxation that is being imposed upon them and that it is discriminatory. My humble opinion is that the business of each one has been enhanced since the time the excess profits tax was imposed. If there are any businesses that have gone out of commission I do not know where they are; and, so far as the discriminatory part of it is concerned, I cannot see it. You might as well say, "Here is a man who does business with private enterprise and he does not get any patronage dividend back, and possibly therefore he is the man that is discriminated against." It is not the company, not the concern. It would be as useless as to say that because this man who does business with private enterprise has money in a savings bank, say the Bank of Montreal, he should have those savings taxed in consequence of doing business with such private enterprise. The only difference between that man having savings in the Bank of Montreal and another man having savings in a cooperative unit is that one has savings in one building and the other has savings in another.

THE CHAIRMAN: Your idea is that ultimately the tax comes out of the same persons all the time?



THE WITNESS: The tax must come out of the individual ultimately.

THE CHAIRMAN: It does not matter whether he is operating cooperatively?

THE WITNESS: No, it does not matter.

BY MR. FILLMORE:

Q. Does it not matter whether one man pays more tax than another? Should not the burden fall equally on everyone? A. When you stop to consider that the man who is doing business with private enterprise is being taxed as you say, having dual taxation imposed upon him, as against the man who does business with cooperative institutions, then it is possibly up to the man who is having dual taxation to pay, through doing business with private enterprise, to take stock of himself.

BY MR. ELLIOTT:

Q. Mr. Wilson of the Davidson store laid emphasis on this point, that it was in accordance with cooperative principles so to arrange matters that the interest of the member as customer would be identical with his interest as investor or provider of funds for the use of the cooperative association. Do you agree with that general point of view? A. I think I am going to avoid that. I mentioned before that we have this whole cooperative family to think of. In a very general way we know how the different ones operate, and so long as you have local autonomy you will have people who decide upon their different ways. I believe I can say that you have them in varying degrees all the way from people who have organized themselves as did the Sherwood Co-operative. The Sherwood Co-operative organized themselves, I would say, in a purely cold-blooded way, to do something for themselves to keep themselves in business, and,

as I say, you have people organized all the way from that set-up to those who are banded together for a very idealistic purpose where profit or anything of that nature is of quite secondary concern to them. We have them in varying degrees between those two elements and I think they ought to be given whatever freedom they need to carry out their own individual purposes. I would not care to question the way anyone of these units is carrying on its business.

Q. I was not asking you for a general opinion of that kind. I was directing your attention to one point. Does it seem to you a reasonable objective that a cooperative ought to try to organize its affairs in such a way that the members as customers have the same interest as the members looked upon as furnishers of funds? I was seeking your opinion just on that one point. A. Do you mean the non-member patrons?

Q. No, the member-customers themselves. A. I think that is perfectly correct. As far as that is concerned, I think it is the general feeling of people all the way through that they may subscribe to a share, whatever it may be, five dollars or twenty-five dollars or whatever it may be. I personally think that is of very little account to them. Their primary motive is the business they do one with the other. That is definitely the primary motive. I do not think the share capital means so much to the individual.

Q. In so far as that ideal financial arrangement is achieved, then, it does not matter to the member whether he gets back his savings or whatever you call it, whether he gets back the proceeds in the form of a return on investment or in the form of a return on what he sells or on what he buys. It is indifferent? A. Shall I put it this way.



I will illustrate the objective of one cooperative. I do not know how many of them have this objective in view, but take the objective of the Young cooperative store. It is not young in point of age; that is the name of the town. Its objective is this. It possibly has at the present time retired to its members all its loan capital. I think it will have to get to that place. Its ultimate objective is to retire back to the members or shareholders all of the share capital. That is the objective, and ultimately they will retire back all the share capital. The question arises, whom does the store belong to? From the moment that is done the Young cooperative store will belong to the community of Young. They will still have a Board of Directors and continue to function under the efficient management they have had; they will still carry on the way they have been doing; but they will carry on for posterity.

Q. You recognize, on page ten, the need for development and expansion. You will find it in the first sentence of the third paragraph: "Recognizing also the need of development and expansion capital", and so on. Leaving these savings with the enterprise does assist? A. Oh, definitely.

Q. And if the cooperative is organized in a way that approaches Mr. Wilson's ideal on the point we were discussing, members have an advantage from leaving that capital there to be used for buying the equipment they need?

A. Oh yes; I would say so, definitely.

Q. So that the returns, in whatever form, whether as payment for the commodity or as a return on savings on goods which the customer has purchased -- that return, in whatever form, contains some element of advantage from the use of those funds in the purchasing of facilities? A. Yes; I think you are correct there, Mr. Elliott. Our opinion has been --

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and it is the opinion of an educational body which does not always satisfy the men who have to do the practical work in carrying out these things -- that perhaps it is the feeling that patronage dividends will be returned.

THE CHAIRMAN: On page four of the brief I find a reference to the Rochdale principles. You speak of the urge among farmers to engage in cooperative buying, and you say that the Saskatchewan Grain Growers Association undertook an educational campaign "and stressed the need for strict adherence to the Rochdale principles", and you enumerate them -- distribution of savings, cash for all purposes, one man one vote and open membership. That is all a part of cooperation?

THE WITNESS: It is.

THE CHAIRMAN: How far can an organization depart from those principles and remain a cooperative? Which ones do you regard as essential and which as non-essential?

THE WITNESS: One principle the departure from which has caused the greatest number of wrecks is that of cash payments. A good many departed from it in the past and they soon found themselves on the rocks.

THE CHAIRMAN: What is the Rochdale principle as to the payment of patronage dividends in point of time?

THE WITNESS: Now I am going back to a time fifty years ago. Patronage dividends were declared every quarter of the year and there was usually slight difference between the amount that would be returned to the member and the non-member. Usually it was sixpence in the pound. After those dividends were declared the non-member patrons could immediately go to the store and turn their savings in and get cash for the amount of the tickets or checks they had turned in. The transaction invariably, as between a member

and the institution, was for the checks to be taken in and converted into their savings account. They were transferred into the savings account and held there until they had a limit of twenty-five pounds. That is as much as they were allowed to keep there. I am speaking of a period prior to the time they started their own banking. Since that time they have been able to transfer £25 worth of savings into the savings department of the bank with accrued interest on that, but up to the time to which my mind goes back, having been in the thing myself, your money lay there, and the only thing you could do with it was to keep it in the cooperative union, or take it out of your account in the business and transfer it into a building association. They had a building association and many people are living in homes that were obtained in that manner. There is no question that these patronage dividends or "divis" were turned in and left there as savings. It was a savings bank for them. I know.

THE CHAIRMAN: Then you have no difficulty in reconciling the deferment of dividends for a period of years with the Rochdale principles?

THE WITNESS: None whatever. When I came out here I had to clean up a number of things. I went to the store and I took money I had lying in the store and brought it with me. Some of that money had been lying in the cooperative store a couple of years anyway.

BY MR. ARNASON:

Q. Would you care to offer an opinion, from the standpoint of Rochdale principles, on the payment of interest on share capital? A. Interest?

Q. Following the line of questions put to you by the Chairman and Professor Elliott. A. I think that it is

necessary as an ordinary business practice, because we have to have some ordinary business practice in order to operate, and you have to differentiate between the person who has share capital lying wherever he has it and the people who merely do business with the institution. The difference in the amount of patronage dividend as between the non-member and the member is very small. The point is this. It is considered good practice that if a person has an investment in a cooperative business -- and the amount you can have of share capital is limited; it is only limited to a certain sum -- then it is but logical and right that that individual should be given a limited amount of interest upon that share capital apart from patronage dividend altogether. That takes care of the business between the member and the non-member.

Q. Would you say that the limited rate of interest paid by cooperatives on share capital is essentially different in principle from the dividends paid on shares held in a joint stock company where the entire surplus, in so far as it is distributed, is in proportion to the shares held? Do you care to differentiate there? A. Oh yes. I would say there is a decided difference, because when all is said and done there is a different motive. I would say in regard to the joint stock company that there is that motive which urges people to invest their capital. In a joint stock company you can invest more money than you could in a cooperative enterprise. Then there must be the motive to earn. Other people do not like the word "profit", but there must be the motive to earn wages for the capital they have invested. There is that definite urge which I do not think exists generally speaking in the case of people who pool a small amount of capital together in a cooperative enterprise

, to provide themselves with the services they require.

THE CHAIRMAN: I suppose you will concede that co-operative enterprise has gone forward in the last four or five years more rapidly than private enterprise has done, comparatively?

THE WITNESS: Yes. I would say that is true.

THE CHAIRMAN: Would you let me have your opinion as to the reason for that.

THE WITNESS: I think there is a reason for it. In the very bad days following the grey dawn of 1929, the individual farmer in Saskatchewan found himself in a serious plight. His personal effects had got into very bad shape mainly by reason of the fact that he could not grow anything. I am speaking of a condition that affected our province a good deal more than other parts of Canada. In our sister provinces the people had not been affected so badly, especially by drought, and the farmers of Manitoba held their own fairly well, so that despite the fact that prices were low and the returns coming to them were not so good they could hold on. Yet, in spite of that, the farmers in this province, it seemed to me, were determined, the harder they were hit individually, to keep their collective unit going. They responded wonderfully well and they did keep these things going. Private trade was also hit very badly right in our own province. Individual store merchants and others suffered severely and I believe that condition permeated trade and business throughout the Dominion.

THE CHAIRMAN: But were they able to build up reserves such as the cooperatives had been able to build up in the last five years?

THE WITNESS: I do not know, sir. I have not the slightest idea in what proportions they built up reserves.

THE CHAIRMAN: Would you think that they had had an opportunity of building up reserves such as we have heard the cooperatives have done?

THE WITNESS: I have seen some of the bank statements and I would say that the banks have built up reserves.

THE CHAIRMAN: But we are not dealing with banks in this inquiry.

THE WITNESS: It is only statements I have seen, so I cannot tell you in what proportion reserves have been built up.

THE CHAIRMAN: I was wondering whether the availability of these reserves has not been the real cause of expansion of cooperative enterprise?

THE WITNESS: I would call attention to this angle of the question. Reserves have been available; but if you analyze these different reports you will find, I think, that even in the worst years there has been some progress. If you go back to the annual statements of cooperatives in the worst years you will see that there was some progress. It may not have been considerable, but there was some indication of progress, and if you study those reports you will see that by far the larger margin in the form of reserves established in the name of cooperatives has been there since 1942, because up to 1942 the prices of agricultural products lagged behind all other prices. Beginning about 1943 these prices were brought up and I would say that in the case of some farm commodities the price is even a little above the average of others. That immediately reflects itself in the purchases of people.

THE CHAIRMAN: I do not want you to think that I am critical of cooperation.

THE WITNESS: I realize that. I know you want to find out.

THE CHAIRMAN: I am simply seeking information.

BY MR. ELLIOTT:

Q. In reply to a question asked by Mr. Fillmore, you said that you looked upon the taxation of corporations as being simply a method of collecting in a financial way taxes from individual shareholders. Do you think that co-operatives might be used to perform the same function for the Dominion Government in an equally effective way?

A. To do what?

Q. To act as collectors of Dominion taxes for the Dominion Government, in the same way as you look upon the corporation? A. I would not doubt but that if the co-operatives were asked to collect from individual members the amounts they should pay in the form of income tax or excess profits tax they would do it; but there would be a dual set-up in doing it, because you have a taxation set-up now.

THE CHAIRMAN: Is the ultimate aim of cooperation the Cooperative Commonwealth Federation?

THE WITNESS: I would say that if it has any ultimate objective, however many years it may be from now, it must have a goal somewhere.

THE CHAIRMAN: That is the ideal?

THE WITNESS: Yes.

BY MR. ELLIOTT:

Q. You emphasize that departure from the cash payment principle has given rise to a good many of the wrecks that have occurred in cooperative enterprise. Would you add to that list, as a practice that has given rise at least to near wrecks, overpayment in the initial price? A. Yes. In one

case, in the largest case of all, as a matter of fact, the time factor was responsible, and possibly the deduction of 1 per cent only. But even if it had been 2, 3, or 4 per cent it would not matter. About that time the Wheat Pool was blamed for everything except the Dionne quintuplets, but the time factor was against them.

BY MR. FILLMORE:

Q. I do not want to prolong the discussion, but I want to ask you one question. At what stage in the development of cooperatives do you think they should start to act as tax collectors for the Government -- now, or when they comprise a third of the business of the country, or when they have half the business of the country? At what stage in the development do you think cooperatives should start to act as tax collectors for the Government? A. I think I will have to appeal to the Commission and say I never at any time suggested that the cooperatives should be the medium which should collect taxes for the Government.

MR. ELLIOTT: I am afraid I was guilty of that.

BY MR. FILLMORE:

Q. My recollection is that in answer to my first question, when I asked you how the Government would collect the necessary revenues if and when cooperatives had most of the business in the country, and when there was not much private business left from which to collect taxes, you made a statement on the point.

THE CHAIRMAN: I suppose the answer is, when they take over the Government.

THE WITNESS: I am afraid that among the many abilities I have not got is that of foresight.

BY MR. THORVALDSON:

Q. Speaking of financial methods of collecting taxes,

I suppose you are aware that cooperatives in Russia are a factor in their business methods -- a large factor?

A. To what extent?

THE CHAIRMAN: Would you not say "were"?

MR. THORVALDSON: Are.

THE CHAIRMAN: Now, at this time.

BY MR. THORVALDSON:

Q. Yes. And following that, Mr. Bickerton, are you aware that cooperatives in Russia are heavily taxed?

A. I am afraid I have been so busy trying to give attention to matters in Saskatchewan and the Dominion of Canada that I have not got around to the point of trying to investigate all problems facing the people in Russia, China and those other places.

Q. I take it, then, that your answer is, you are not aware that cooperatives in Russia are heavily taxed?

A. No, I do not know.

BY MR. VAUGHAN:

Q. You say that cooperatives were not started with the idea of profit and in that way were different from joint stock companies. What is the motive in starting cooperatives?

A. If you go back into this thing you will find that at the beginning of their organized efforts the best that farmers knew was the joint stock method. That was their nearest approach to anything in the form of cooperation, despite the fact that a considerable number of them had knowledge of the Rochdale principles. For quite a while, in spite of that knowledge, the joint stock method was their nearest approach to what they were seeking; but there was always an element who had a different idea about the whole thing.

THE CHAIRMAN: In case there should be any doubt, I hope that in my questioning of you you did not understand me to refer to the Co-operative Commonwealth Federation as a political party? I want to make that clear.

THE WITNESS: I did not think you would suggest in any way that some one particular political party that exists today has to be the body.

THE CHAIRMAN: I just want to make it clear that I did not have that in my mind.

THE WITNESS: I did not so understand you, sir. Long before there was such a political group organized, known today as the C.C.F., there was something known as the co-operative commonwealth. There is no doubt about that. That was known many years ago, and that is what I took you to mean.

THE CHAIRMAN: As long as we are clear on that I am satisfied.

BY MR. VAUGHAN:

Q. You say, Mr. Bickerton, that these cooperatives do not start with the profit motive? A. Yes.

Q. What is their purpose, then? A. To give themselves services.

Q. And that is all? A. Yes. Let me take one thing to illustrate what you want to know. I can speak clearly on this because I happen to be a farmer myself. When we got together in the grain growers' local we had to go from ten to twelve miles to town to buy a load of coal. We did not like that. We had a loading platform just two or three, or perhaps four miles away from us, and so we said, "Let us get a carload of coal, or find out how many carloads of coal we shall need." We needed about seven carloads of coal to supply our wants in that particular unit. We decided to

get it through the medium of an agency that had been set up by the Grain Growers Association and they, acting in a whole-sale capacity, would get the coal and consign it to us. They advised us to do what we intended to do anyway, and that is to charge ourselves the same price as we would pay when we went to town to get coal. We did that. We got seven carloads of coal in and at the end of the season, when the coal had been distributed, it was figured out by the Secretary, who also happened to be myself, how much was coming back to each of the members in proportion to the tons of coal they had got. We did that in order to give ourselves a service, and we had this money left over, and at the end, at the annual meeting, we said, "There is so much in the way of savings what do you want to do with it?" I was only concerned at that time, as Secretary, to find out what we had to do with it. Well someone made a motion, someone seconded it, and it was carried that the money be kept in a fund.

Q. Before you ordered the coal did the members figure out that there would be a certain amount of money left over to be divided among themselves? A. Yes, quite.

Q. Would not that be a profit motive? A. I don't think so.

Q. Why do you say that? A. They were so little concerned with the profit motive that when the time came that they could have had all their savings they said, "No, leave it there."

Q. If there would have been no amount left over, according to their calculation, would they still have ordered so many carloads of coal? A. Yes, because they would have had it nearer.

Q. What they wanted, you say, was service and not profit? A. Yes, service.

Q. And on top of the service they got a profit or a "saving", if you prefer. If they got that extra, or in addition to what they had been looking for in the first place, do you see any objection to paying part of that to the Government in taxes? They wanted service, you say, and not profits or savings, and they got something additional to what they started out to get. Is it unreasonable then that a portion of that -- not all of it, but a portion -- should be paid to the Government in taxes? A. I can only speak personally, as an individual, in that regard, but I would say I really cannot see any sense in that view. It is true I got it back, but it is there, it belongs to me. I think it would be just as sensible for the Government to say, "We have taxed you so much already, but you have so much lying in a savings account in the Bank of Montreal, say, and we are going to tax that too."

Q. Let us confine ourselves to the point we are discussing. You say that you started out with the idea of obtaining a service. You got that service. You also said that you expected nothing more than service. But the fact remains that in addition to that service there was a considerable saving. Now we all recognize that everyone who has the ability to do so pays taxes, and here we find that there is ability to pay. A. You think that, having got the service, we ought not to care where the rest of the money goes? Is that the idea?

Q. No. You have told us that you got the service and that this was your objective. Is that right? A. Yes.

Q. Service and not profit? A. Yes.

Q. But as well as the service you got a profit. Do you suggest that a part of that should not be paid in taxes to support the Government that provides benefits for all the

citizens of the country? A. I think that in another way the Government itself has a set-up by which to secure the necessary taxes to do whatever it wants to do, and if a man gets this service and has remaining savings and is also in a position to be able to pay income tax the amount that is lying there will be in his income tax statement.

Q. But it is different with a stock company, where the company pays first and the individual pays in the second place. Here a profit is made -- and profits are taxes. You agree that there was a saving in your instance and you say that that saving was not really the objective in the first place? A. I would put it the other way. There may be an unfairness in regard to the Government's action in turning around to that individual who has done business through a private enterprise and has paid his tax -- no matter whether an excess profit tax or plain income tax -- and having done his business in that way the Government says, "We will impose taxation upon your business." Because you must remember that a private store would have to charge an amount to cover its overhead expenses plus an amount to cover the tax. So if the Government says, "We are going to tax the profits you will make by imposing additional taxation on you, there may be unfairness there.

Q. What you mean is the double taxation -- that the taxation of the corporation and then of the individual -- is unfair? A. There may be unfairness in it.

Q. But suppose that cannot be changed. That is beyond our jurisdiction in any event. And suppose there is a desire to make taxation fair. Do you still say that it would be unfair to tax cooperatives? A. I have intimated that there is unfairness there, and you will not make a right out of two wrongs.

Q. But assuming it is desired to make taxation equitable. And, suppose the Government cannot bring about any change in the present method of corporation taxation and yet wishes to make taxation as equitable as possible, would it be inequitable, then, to tax the cooperatives in the same way? A. I don't think it would be equitable, as you apparently suggest. I think there would be more equity in it if the Government gave consideration to the other side.

THE CHAIRMAN: Do you attach any importance to the feature of incorporation which most of the cooperatives adopt?

THE WITNESS: Some, yes.

THE CHAIRMAN: What is the main purpose of incorporating?

THE WITNESS: One of the main purposes to be served by incorporating is to stop them from running high, wide and handsome, so that when they make application for an act of incorporation they must measure up to a certain standard. I think that is the main factor in it.

THE CHAIRMAN: Do you not think the question of limited liability bulks very largely in that? Their liability is limited by their capital. That would not be the case in a partnership or with a private individual, whose whole estate would be at stake; whereas in a limited company the estate of the individual is not at stake. Is not that an advantage?

THE WITNESS: It may be some advantage as far as the limited liability in a corporation is concerned.

THE CHAIRMAN: And is not that a benefit which the Government confers upon this corporation?

THE WITNESS: No, I don't think so. As a matter of fact, outside of the fact that, as I believe, incorporating exercises a certain measure of uniformity within the various

branches of the corporation, I think that the cooperative bodies could get along without incorporation.

THE CHAIRMAN: You do not see that a corporate body is a distinct legal person -- distinct from the members who make it up?

THE WITNESS: No.

THE CHAIRMAN: How could you sue a body unless there were some corporation that could be dealt with?

THE WITNESS: One couldn't very well sue the body.

THE CHAIRMAN: I imagine that in all human relations some one is apt to sue some one else to enforce his rights. How can he do so if there is not a body at arm's length whom he can sue?

THE WITNESS: I don't know. If a cooperative store gets into debt by borrowings, unless the Act is changed the people who extend the credit will have to sue some of the individuals. They would be foolish if they had not got a personal note.

BY MR. FRANCIS:

Q. Arising out of the questions put by Mr. Vaughan, may I put this case to you. Let us suppose that you reside at Delisle, thirty miles west of Saskatoon. You wish to purchase an article, the purchase price of which is, let us say, \$100 at Delisle, and you propose to deal with a private business. Let us suppose further that in the city of Saskatoon the price of the article is \$90. You know that from advertisements in the newspapers; and therefore, instead of going to a private merchant in Delisle and paying \$100, you proceed to Saskatoon where you can get the article for \$90. You decide to do that; but in going from Delisle to Saskatoon you find that your expenses, for lunch and gasoline and so on, amount to \$5. Your net savings will be \$5. Would you

expect to be taxed on the saving of \$5 which you make?

A. I would hardly think so.

Q. If instead of paying \$100 to the private merchant in Delisle for the article in question you go to considerable trouble and call meetings, driving around the neighbourhood, burning the midnight oil and getting the neighbours together, and neglecting your own affairs on your farm and spending a good deal of thought and time and effort in so arranging the matter that the article is brought to Delisle and made available at Delisle for \$90, and if the cost you have had in telephoning, in stationery and so on in bringing the article there is \$5, your net profit -- excuse me, your net surplus --

THE CHAIRMAN: You are excused, Mr. Francis.

MR. FRANCIS: Your net surplus is \$5. Would you expect to pay income tax on that \$5 of net savings?

THE WITNESS: No.

BY MR. VAUGHAN:

Q. Is it not the formation of that cooperative that makes it possible for you to obtain these conveniences and these savings? A. Yes.

Q. Then there is great advantage in being a cooperative; isn't that so? A. Yes.

Q. Well, that is the very point. Should not something be contributed for that advantage? A. If I could see any reason why, I would be in a better position to give an answer.

Q. You are able to accomplish all that because you have formed a cooperative? A. Yes.

Q. You are granted a privilege by the Government, either Dominion or Provincial, and in forming a cooperative you get these advantages in services and savings. Would

it not seem reasonable that something should be paid for that privilege? A. It brings us around to what you spoke of before. If one group of people is made to pay double indemnity I don't think you cure that ill by making another group pay.

MR. VAUGHAN: I don't suppose there is any use pursuing the point further, Mr. Chairman.

BY MR. NADEAU:

Q. Is there any competition between the big cooperatives, the Wheat Pool and the Dairy Pools? A. The same purpose motivate all these people. One thing you have to keep in mind is that it does not matter how big the co-operative is or how little, it is the same people who are involved. The Wheat Pool is supposed to have a membership of -- well, I would not be able to tell you that. You would have to get it from evidence as to how many active members they have and how many members they have on their role. Personally I would say they represent anywhere in the neighbourhood of 75 per cent of the farmers of the province. You will have others in other organizations, the livestock pools, and all the way down to the little store.

Q. Is there any instance where one can find any competition between some of the big cooperative pools, dairies or wheat pools? A. I don't think, sir, you would find it here. It is not beyond the realms of possibility that you may find a certain amount of conflict in one or two other provinces I can think of where there are two co-operative organizations giving similar service. While they may not be together in the same city operating from the same point, they are possibly sufficiently near together to overlap to some extent, so that there may be a certain degree of conflict there. Here, however, we have nothing like that.

Q. Is there any instance where, by agreement or otherwise, they try to avoid competition between themselves?

A. Yes, they definitely would. As I mention, we have a cooperative conference and there we discuss any questions like that, and if any such question came up we would do what we thought advisable in the circumstances.

MR. DEBOTH: We are all interested in getting the true meaning of the word cooperation. I would like to ask this gentleman if, in private enterprise, one single transaction ever takes place where a corporation supplies some individual who is in need of a particular commodity unless it can get some profit as a result of that transaction. Is that correct -- unless they get a profit they are not going to supply that commodity?

THE WITNESS: Not very far from my home there was a cooperative store where I went to purchase goods. I was a member and I never asked the price of goods. I gave the order and took the goods.

MR. DEBOTH: I was talking about business under what is called private enterprise. In the case of one single customer coming in and needing something, they will not sell to that customer unless they are sure they will get more for what they sell than they paid for it.

THE CHAIRMAN: Will you please confine your examination to questions and not arguments.

MR. DEBOTH: In a cooperative store, when the shareholders deal with one of their members or patrons, they supply the needs of those members or patrons only if they make a profit on the transaction for the time being. Never mind what happens to the profits afterwards, the transaction is the same as in private enterprise. Profit is the very first thing that is thought of and not the human being. The

human being is considered in the second place.

THE WITNESS: You are all haywire.

MR. DEBOTH: You may call it savings or surplus or earnings, but fundamentally the transactions are the same.

THE WITNESS: Your mind is working in reverse; that is all that's the matter with you.

THE CHAIRMAN: "No" would be a sufficient answer.

THE WITNESS: The answer is no.

.....

J. FORBES,

Secretary,
The Insurance Agents'
Association of Regina,
having been duly sworn
testified as follows:

BY MR. PARKER:

Q. What is your occupation? A. Chartered Accountant.

Q. Are you appearing as a Chartered Accountant?

A. No, as Secretary of the Insurance Agents' Association of Regina.

Q. You are here in support of a brief that was filed and signed by the Vice-President of the Insurance Agents' Association? A. Yes, Mr. A. P. Little.

Q. Did you prepare the document? A. I worked with the committee to prepare it.

Q. What kind of committee? A. A committee of three, including one from the executive and one from the general membership.

Q. What is this Insurance Agents' Association? What is it composed of? A. It is composed of agents of joint stock insurers writing all lines except life.

Q. Fire and casualty? A. Yes, and hail.

Q. How many members are there? A. There are twenty-

nine members in Regina.

Q. The ordinary fire insurance offices that we see in every town and city, each office representing a number of companies? A. Yes.

Q. That is the type of association? A. Yes.

Q. As to the facts alleged in this document, do you know anything about them or is this merely hearsay evidence that you have put here? A. I don't know exactly what you mean by hearsay evidence.

Q. Something that you cannot swear to positively as within your own knowledge. A. The facts there are known to me from my knowledge of the general business only.

Q. You had better read it and we will test it afterwards. A. All right. It reads as follows:

"Submission to The Royal Commission on Co-operatives made on Behalf of the Insurance Agents' Association of Regina.

"The representations set forth following are made on behalf of the members of the Insurance Agents' Association of Regina comprising twenty-nine firms and individuals acting as Regina agents of Joint Stock Insurers of all classes other than life insurance.

"The fifty-five agent members of the Insurance Agents' Association of Saskatoon, Moose Jaw and Prince Albert also associate themselves with this brief thereby representing several hundred of persons who are directly dependent for their livelihood on earnings as local insurance agents.

"Our members and those associated with them have for some years been much concerned with the situation which exists in Canada today whereby Mutual Insurance Companies (the chief competitors of our principals) are exempt from the payment of taxes which are levied against our principals.

In the latter few years, due to heavy war-time taxes and the departure of many "Mutuals" from the strictly mutual plan of operations, the burden of this condition has been greatly accentuated. Our ability to obtain a livelihood is in the first instance dependant upon our principals' ability to compete with other organizations in the same business. We submit that Joint Stock Insurers cannot effectively compete under tax laws requiring them to pay large tax imposts which are not levied against our competitors.

"In Canada a large percentage of the very essential service of furnishing the public with insurance protection is provided through the medium of local agents, who are compensated for their work solely on a commission basis by their principals -- the insurance companies. It necessarily follows that when the impediment of discriminatory taxation is imposed upon the Joint Stock Insurers as principals, the interests of their agents are injured in precisely the same ratio.

"Taxes are levied to enable the government to give certain services required by the citizens. These services may take the form of protection of persons and property, social welfare, or the conduct of war and so forth; and whatever they may be, Mutual and Co-operative Insurers obtain equal benefits with all other individuals and organizations from these services. However, under present tax legislation (or the method of its application) the Mutual Insurers do not contribute to the cost thereof. It is submitted that because of this the individual tax burden of all other persons in Canada is in excess of what it otherwise would be.

"In conclusion it is submitted that our principals as carriers and our members as agents of such carriers suffer an injustice and hardship from the competitive disadvantage

and from the increased taxes because of the section of the act exempting or purporting to exempt Mutuals and Co-operatives.

"Respectfully submitted,

(A. P. Little)
Per: Vice-President,
The Insurance Agents' Association
of Regina."

.....

BY MR. PARKER:

Q. How do you know that these several associations in the other cities subscribe to what Mr. Little has written? A. They wrote asking to be associated with us.

Q. Was this document submitted to them for approval?

A. After.

Q. And they read it? A. Yes, and have not objected to it.

Q. One or two questions. In the middle of the first page you say: "In the latter few years, due to heavy war-time taxes and the departure of many mutuals from the strictly mutual plan of operations, the burden of this condition has been greatly accentuated." Are you in a position to tell this Commission in what way the so-called mutuals have departed from the strictly mutual plan of operation? What have they done? A. My own opinion of the strictly mutual plan of operation is that a mutual corporation cannot go very far from the principle of a number of individuals agreeing to share the loss of any one individual for a certain period of time. A very large percentage have departed from the principle, I believe.

Q. We are not particularly interested in what you believe. We would rather have you tell us what you know.

A. I do not know that in this territory the only mutual policies I have seen issued are on a fixed premium basis.

They pay a premium for protection and they pay no more.

Q. So what, to use a slang phrase? A. That is not a mutual plan of operation. All that is paid is a fixed premium for the protection given, and if there are losses he does not have to pay more.

Q. And he does not get anything back? A. According to the policy, he is supposed to get savings back if there are savings.

Q. That is, if there is a year without many losses and he pays more than is necessary he gets a rebate?

A. Yes. He gets a dividend.

Q. Isn't that mutual? A. That is not mutual, because he doesn't have to pay if there are losses.

Q. He benefits if they have a good year, but if there should be a disaster that wipes out a lot, he is not called upon to pay more? A. No.

Q. How does that make it less mutual? A. My idea of a mutual is that everyone shares and shares alike. You cannot share in profits and not in losses.

Q. That is what you mean? A. Yes.

Q. And that is your complaint against these companies? A. That is right.

Q. Perhaps you can help me. Take a case where, the fixed premium having been paid, the company has very heavy losses. What happens to the policy holders? Does the thing just go bust? A. It has never gone into the courts so as to find what would happen.

Q. How does that hurt you? Your companies all have a fixed premium. A. We consider that the dividend that is promised by the salesman is a competitive disadvantage to us, and part of it is due to the Government taxes. They should be under our plan of operation.

Q. Is that all you wish to say about this? Is there anything else you can tell the Commission that will assist them in finding out whether there is discrimination between these different types of company? A. That is all except for the fact that we consider the mutual is selling exactly what we are selling.

Q. You can see no distinction? A. No distinction in their policies, except the refundable feature.

Q. Are you sure that is so? Can you not really see a very great distinction between the method of operation of the so-called mutual and the method of the ordinary straight fire insurance companies? A. There is only one difference.

Q. You said there was no difference. A. Not as far as selling to the public is concerned, in my opinion.

Q. If there is no difference, there is one thing; if there is a difference I would like to know what it is. A. It is in the stockholdings, in the ownership of the company.

BY MR. HAM:

Q. Mr. Forbes, in the first paragraph you mention firms and individuals. Firms would be both partnership firms and incorporated agencies? A. Yes.

Q. That is one question. Secondly, with respect to the point that Mr. Parker was trying to have you explain to the Commission, there are mutuals that assess for losses as and when they occur. That is a fact? A. I could not say it is a fact. We don't see them in this country.

Q. The ones you are concerned about are those who have a certain number of assessment members who carry on the business, but they sell a non-assessable policy to the general public, so that there is one group of insurers who are subject to assessment carrying on business, non-

assessable business, with the public generally, the same as a joint stock insurer would carry on. Is that correct?

A. Yes.

BY MR. VAUGHAN:

Q. Where there is a very large loss, is there not a reserve set up to meet such a contingency? That is to say, in respect of refunding the full amount that the insurer may be entitled to, is there not a part of that held back to form a reserve to provide for any loss that may occur?

A. Yes; that is shown by the statements.

Q. Is not that worked out according to experiences so that there will be a sufficient reserve provided for such unforeseen losses as may occur? A. That is the method, I believe.

Q. There is provision made for that and an insurer would not lose. If he is insured there will be money set aside to provide for loss? A. Yes, but it is not his money that is set aside.

Q. It is retained out of the rebate that would be made to him and that is set up as a reserve which the insurer pays, so much in reserve to provide for any abnormal loss that may occur? A. Yes, within that counting period.

Q. That is a constant reserve, is it not?

A. Yes; it is made up over a period of years.

Q. Built up for that purpose, and each member has an interest in that reserve, and he is entitled to a share of that reserve on withdrawing. A. I have never heard of such a thing as withdrawing, as far as I know.

Q. The reserves that belong to each individual, I mean. If a person is insured he is entitled to that on withdrawing from the mutual group? A. I have never heard of anyone getting money back from a mutual.

Q. There is a reserve there to provide for any abnormal loss which might occur at any time? A. Yes.

THE CHAIRMAN: Does he get any document evidencing what is his share?

THE WITNESS: No. He gets no evidence to show what his share is. He gets a policy that says he is a member.

MR. HAM: What Mr. Vaughan was speaking about was the unearned premium reserve held by the Dominion Government in the companies under Dominion licence, calculated on a formula that allows the superintendent to go on the open market, if a company goes broke, and buy re-insurance for existing policy holders so that they do not suffer by having their policy cancelled.

THE CHAIRMAN: It is a reserve in the hands of the Government?

THE WITNESS: Yes, based on a mathematical formula to cover the period of the unexpired portion.

BY MR. ARNASON:

Q. One sentence in the third paragraph of the brief reads: "We submit that joint stock insurers cannot effectively compete under tax laws requiring them to pay large tax imposts which are not levied against our competitors." I wonder whether you have any additional information to give to the Commission which would indicate a little more definitely the extent to which, in your opinion, the joint stock companies may suffer from this discrimination you suggest. In other words, have you more definite knowledge beyond the general submission that there may be discrimination? Or shall I put it another way: Do the present operations of the joint stock insurers indicate that they are suffering from such disability, or are they pretty well holding their own like other insurance companies? A. I cannot answer that

that by any comparison. The only thing I can say is that, from my experience among insurance agents, they have suffered considerably in the last few years. It is not only loss of premium income to mutual insurance companies but also the fact that a number of cars have been taken off the road-- automobiles. They are losing insurance premiums to the mutuals, however, and we believe it is because of the promise of dividends.

BY MR. PARKER:

Q. Can you give cases where, in your experience or your knowledge, the joint stock companies carried a man's insurance for a time and by reason of more attractive proposals made by the mutuals you have lost that insurance and the man has switched to the mutuals? A. I cannot give any instance.

Q. I am not suggesting that you mention any names, but do you know of any companies -- A, B, C, or D -- where that has taken place? A. I know of one corporation that took a large line with a mutual company.

Q. Which had formerly insured with others? A. Yes, formerly insured with a joint stock company.

Q. Are you in possession of facts that would tell us why he did that? Was it because of a more attractive business proposition or because of some personal relation? From personal experience, do you know of insurance being switched for reasons other than that of the pure cost of premium? You have mentioned a case. Is that what you have in mind? A. This one case I have in mind is definitely a case where it was switched because there was a promise. It was understood that there would be a dividend at the end of the policy term.

Q. That was the motive? A. Yes, definitely.

Q. Do you not know of as many cases where insurance has been switched from one joint stock company to another though the premium was exactly the same? A. Yes.

Q. There are many reasons that might prompt a man or a firm to change? A. Yes; and, as you suggest, a lot of them are personal.

Q. Or by reason of business connections; it may be a firm in which they may be interested? A. Yes.

Q. In your experience, you cannot give very many cases where you found that joint stock companies have lost insurance by reason of an alleged advantage that the mutuals have? A. No, I cannot give very many instances. There are not a very large number in Regina.

Q. There are many millions of insurance carried in this province? A. A lot of it is controlled through eastern brokers. The largest are controlled that way.

MR. BAYLEY: My name is Bayley. May I ask the witness a question?

MR. PARKER: Will you please tell us who you are, and your occupation?

MR. BAYLEY: I live in the town of Yellow Grass, but strictly speaking I am a farmer. I would like to ask the witness this question: Would you favour all insurance companies charging the same rate for the same policy?

THE WITNESS: No, I would not.

MR. BAYLEY: You defeat your purpose, then, don't you?

THE WITNESS: What purpose?

MR. BAYLEY: Well, I am thinking of the question of switching from one company to another. You say they switch because they get a cheaper premium.

THE WITNESS: My point is that they are able to give a cheaper premium because they are not paying taxes.

MR. BAYLEY: Are they taxing mutual companies more than others, or is it the other way around?

THE WITNESS: The mutuals are exempt under 4 (g) of the Income Tax Act.

MR. BAYLEY: I understand that, but the tax on a stock company is on shareholders' account?

THE WITNESS: They tax profits.

MR. BAYLEY: Would you favour all companies writing the same kind of contract, putting the same provisions in the contract?

THE WITNESS: You ask me that personally?

MR. BAYLEY: I am asking you what you would favour?

THE WITNESS: Personally, I submit that it is a very highly competitive business. You are asking me a question in regard to monopoly. Are you suggesting outright monopoly all the way through -- monopolistic prices?

MR. BAYLEY: I am asking you this question: Do you favour the same type of contracts at the same rates? That is what I am asking you.

THE WITNESS: I am afraid I cannot answer you.

MR. BAYLEY: You mean you don't want to answer.

THE CHAIRMAN: That is not a question.

MR. BAYLEY: What is the answer?

THE WITNESS: I would not favour the same rates. Every company should have the right to fix its rates on its own basis.

MR. BAYLEY: Would you favour that type of contract,

THE WITNESS: I said no.

MR. BAYLEY: In both cases?

THE WITNESS: What are the "both" cases?

MR. BAYLEY: Would you say they should write the same provisions in the contract?

THE WITNESS: Those are covered by provincial law; they must be.

BY MR. PARKER:

Q. One other question. Speaking about the amount of premiums, is the premium payable into the mutual sometimes less than the premium in your straight company? A. Yes, that is correct.

Q. Is there not also a variation in the amount of premium in the different joint stock companies? A. That is also correct.

Q. And as a rule the premium demanded by the tariff company is higher than the non-tariff company? A. Yes, that is true.

Q. Aren't you representing both those companies? You have both tariff and non-tariff companies in the association? A. No, all tariff companies.

Q. Have you in effect the same complaint against the non-tariff companies as against the mutuals -- perhaps to a lesser degree -- in so far as they outbid you sometimes on the price they can quote? A. We haven't any complaint on account of taxation.

Q. Does it hurt you any more whether it is by reason of taxation or because of something else? Is not the effect the same? A. Yes.

MR. DEBOTH: Why do people have insurance?

THE WITNESS: To protect themselves against calamity.

MR. DEBOTH: Against insecurity?

THE WITNESS: Yes.

MR. DEBOTH: If people had real security there would be no policies issued. If people had real security, real social security, there would be no policies written.

THE CHAIRMAN: That is entirely outside our investigation. We are dealing with cooperatives.

MR. DEBOTH: That will come out later on when I present my brief.

BY MR. HAM:

Q. Would you really know whether it was generally true that certain underwriters' premium rates were higher or lower than somebody else's, with respect to any particular risk? The terms have been used -- tariff, non-tariff and mutual. Generally speaking, would the non-tariff rate be lower or higher than the tariff? You would not know from your own experience? A. Yes, I do know as a matter of fact.

MR. FRANCIS: With regard to the Riceton Credit Union, Mr. Chairman, I have received no instructions in the matter but I have been asked to request that the Commission treat this submission in the same manner as the others.

THE CHAIRMAN: That is, it is presented but not read.

MR. PARKER: Is it a member of the Federation?

MR. FRANCIS: Yes.

THE CHAIRMAN: It might be called and default registered.

THE REGISTRAR: The Receton District Savings and Credit Union. No one answers, sir.

THE CHAIRMAN: Default registered.

MR. PARKER: There is another one, the Riverview, which is in the same position. That is also a member of the Federation.

MR. FRANCIS: With regard to the brief submitted by Mr. J. C. Burns, he was asked to stand aside to allow somebody else to go on.

MR. PARKER: The next brief is filed by Mr. Deboth. Do you wish to give evidence, Mr. Deboth?

MR. DEBOTH: I wish to address the Commission.

THE CHAIRMAN: No. you had better go into the box.
If there are any facts you will give them under oath.

MR. DEBOTH: I want the Catholic Bible to swear on.

MR. PARKER: What is that?

MR. DEBOTH: This is the King James Version; I want the Douay Version.

MR. PARKER: Do you object to being sworn in the usual way?

MR. DEBOTH: Yes, on that Bible.

MR. PARKER: What is wrong with that Bible.

MR. DEBOTH: We Catholics don't believe in that Bible; we believe in the other. I am speaking with the unofficial approval of His Grace the Archbishop of Regina.

MR. PARKER: What is his unofficial approval?

THE CHAIRMAN: We want facts. In the first place, you refuse to be sworn on the Bible?

MR. DEBOTH: Yes. Give me another one, and I will gladly swear on it.

THE CHAIRMAN: Will you make a solemn declaration to tell the truth?

MR. DEBOTH: Yes.

Presentation by Mr. Deboth

BY MR. PARKER:

Q. Where do you reside? A. Regina.

Q. What is your occupation? A. Student, economist and writer.

Q. Attending any institution of learning? A. No.

Q. Where do you carry on your studies? A. At my home.

Q. How long have you been solely occupied as a student

of economics? A. Solely?

Q. Yes. A. The majority of my time has been so occupied.

Q. Have you any other vocation, trade or calling?

A. Yes, any work I can do whereby I can support my wife and family.

Q. During the last five years, state generally in what types of work you have been engaged. A. I have been sharpening tools and implements, planting lawns and putting in gardens. That is about all.

Q. And during that period, roughly, what proportion of time have you been gainfully employed -- that is, earning something? A. Earning a living?

Q. Yes, earning a living or gainfully employed rendering services for which you were paid. A. In what terms do you want it -- in terms of months or weeks?

Q. Any way you like. Going back five years, have you been employed one year out of five or three months or what? A. My employment was intermittent.

Q. Approximately. A. I have never added it together.

Q. Are you in a position to tell me, at least approximately, whether or not in those five years you have been employed one year? A. Two thirds of the time.

Q. You appear here, as you have stated, as a citizen interested in this inquiry? A. Yes.

Q. And in no other capacity? A. Yes. I have the unofficial approval of His Grace the Archbishop of Regina.

Q. I submit that that does not mean anything, but if you want to put it on the record it will have to go on.

A. I had occasion to appear before the employer-employee relations committee and I had the privilege of saying the same thing.

Q. And you wish to present this brief now? A. Yes.

Q. Get on with it. A. I will read the brief with your permission: It reads:

"To the Commission investigating taxation of cooperatives.

"Gentlemen,

"The purpose set for your Commission can be divided into two parts: taxation and cooperatives.

"Taxation:

"Why do we need taxes?

"Taxes today are needed to enable the authorities to do for the people those things which they cannot do for themselves. Any increase in these activities of the Government must bring with it an increase in taxation. The things which the Government does for the people can be divided into two parts also, things needed and things wanted. Taxation can be reduced only in direct proportion to the ability of the people to look after their own needs and wants. The greater the number of those who can and do look after their own needs and wants the less call on the Government to do for them what they cannot do for themselves. In my address to the Saskatchewan Commission investigating relations between employers and employees, delivered in September, 1943, it was pointed out what steps should be taken to improve these relations and also the cause of any deterioration in these relations. It was mentioned in that brief also how taxes can be reduced to the vanishing point.

"Where that brief treated of the reversal of rights and duties this opportunity to address you is a good occasion to stress another reversal which must be corrected to reconstruct order. It is the relationship between needs and wants.

"Today in our western civilization wants are to the fore;

they are stressed out of all proportion and are constantly increased by every means to influence public thinking, while the basic needs get completely forgotten. Examples galore can be found of people satisfying their wants at the cost of their needs. This is a result of disordered thinking and a substantial part of our modern disorder which must be replaced by order. Where wants are thus constantly increased and more and more people cannot satisfy them by the wages they receive, a constant increase of appeals to governments is inescapable. Any increase in importance of the needs with a soft pedaling of wants will reflect itself in lower taxation and greater satisfaction of the people. Government agencies, as well as other organizations, are doing much to correct this by giving publicity to the foods needed to maintain health, and thus stressing the needs but the most potent way of teaching would be to base the wages upon the needs in goods and their prices and increase this by a percentage for wants. So far the general remarks about taxation. The particular conclusion concerning taxation as applied to cooperatives follows later.

"Cooperatives:

"In the article entitled 'Cooperative or Collective' I have explained that what today are called cooperatives are in reality collectives. The distinction hinges on the definition of the word 'Cooperation'.

"The widest usage of the word is in **reality** the oldest and dates back to the time when people, led by clear thinkers with very clear-cut definitions, thought in an orderly methodical way.

"The whole of mankind was understood to be one body. Every state and nation was a member of that body and understood that the interest of the whole body (mankind) must

come before the seeming or apparent interest of the part. Every state again was understood to be composed of members, groups organized according to duties. These groups or societies were bodies in which the family was the basic unit -- the family like the human body being complete with its component parts -- the father, the head, the mother the heart, and the children, the members. All understood that the wellbeing of the whole was more important than the seeming good of the part, and this was commonly expressed by the term, 'the common good comes first'. This means that it was first in mind before their own wishes and desires and then acted upon.

"This harmonious working concept was completely destroyed as a result of the teachings of Adam Smith (1776) commonly called 'Wealth of Nations'. He stressed the theory that when each is looking after his own interest that then the common good would automatically result. This selfish teaching resulted in the complete eclipse of the common good. Less and less attention was paid to it and today the concept has become so hazy that a definition of it is in order. The common good then must be understood as 'a sufficiency of the goods of this world for all mankind to fulfil their duties.'

"You will notice that in this definition again goods are mentioned, not money, and that duties must form the basis for the goods needed. This differentiation between goods and money is very clearly brought out in study material from the University of Saskatchewan Extension Department. In a course of general economics, a clear distinction is made between income and real income; wages and real wages; prosperity and real prosperity. Income and wages refer to amounts of money units, but real income and

real wages refer to goods. The same difference occurs in definitions of prosperity and real prosperity. But if real wages are 'goods' then wages as we have them are not real but 'make believe' and income is then 'make believe' income, and our prosperity a 'make believe' prosperity. The modern unrest is caused by this 'unreal' manoeuvring and can only disappear by 'real wages' which give 'real prosperity' and a 'real living'.

"Coming back now to the old definition of cooperatives. The old thinkers knew that the living of the people consisted of goods and services and was far more important than money. They had the peoples real interest at heart, but our later, more confused theoreticians thought more of money. In the confusion they created the simpler folk could not see the distinction and by the time the Rochdale pioneers started, the meaning of the term 'common good' was already completely forgotten, and also the 'creed' that life (and the whole of it) may best be ordered not by competition of individuals (singly or collectively) but by mutual help, by each striving consciously for the good of all mankind, and mankind in return caring for each. Thus it proposes to replace, among human beings the struggle for money by voluntary combination for a good living.

"You may ask, what harm can be done by mistakenly naming collective organizations, cooperatives?

"First of all, it contributes to the great confusion from which we suffer and which only a short while ago was declared our greatest danger by both President Roosevelt and Prime Minister Churchill.

"Secondly, by thus misnaming a movement by a term which, if rightly understood, can bring us victory in peace,

we prevent many from searching for the real thing.

"Thirdly, by thus giving the same name to two diametrically opposed movements we allow the one to use the definition of the other to mislead, even if unintentionally.

"Where our so-called cooperatives actually are collections of individuals whose first concern is their apparent good (money), not the real good of all mankind, (a good living for all) and like all other collections of individuals as companies, unions, federations, etc. are are primarily interested in money (more profit or lower prices), there can be no valid reason why they should be exempt from any taxation that is imposed on other collectives. Such minor differences as one vote to one member and the payment of dividend on shares under the name patronage dividend are not sufficient to entitle them to such special privileges. But this is in reality a minor issue. The major issue is that the use of the name of a beneficent movement is so misused."

THE CHAIRMAN: As far as I am concerned, whatever your philosophy may be, I am not disposed to ask you any questions on it. This is outside the scope of our inquiry. Thank you for your presentation.

The Commission adjourned until 2.15 p. m.

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The Commission resumed at 2.15 p. m.

MR. PARKER: The next brief will be submitted by Mr. Puckering on behalf of the Saskatchewan Flour Millers Association.

CHARLES H. PUCKERING,

Director,
Saskatchewan Flour Millers
Association,
having been duly sworn
testified as follows:

BY MR. HODGES:

Q. You are a Director of the Saskatchewan Flour Millers Association? A. I am.

Q. What other position do you occupy? A. I have held past and honorary presidencies.

Q. You are authorized by the Association to present this brief to the Commission? A. I am.

Q. Will you read it please? A. Yes. It is as follows:

"To
The Honourable Mr. Justice Errol M. McDougall,
Chairman,
Royal Commission on Co-operatives,
and Members of the Commission.

"The following representations are made on behalf of the Saskatchewan Flour Millers Association:

"The Association comprises in its membership the owners of sixty-nine flour mills operating in the province. It does not however include amongst its members the large national or international flour mills doing business in the province. The daily productive capacity of all the mills at present operating in Saskatchewan totals 16,945 barrels of flour, each barrel containing 196 pounds. This represents about seven times the requirements of the people of this

province. The mills represented by this Association are either owned by limited companies or individuals. There is at the present time the one flour mill which is operated by a cooperative association. That mill is situated at Outlook but this Association understands from items appearing in the public press that it is the intention to establish at the City of Saskatoon a very large cooperative mill.

"The flour milled at the Outlook plant is distributed throughout the province and this comes into competition with the businesses carried on by the members of this Association.

"The members of this Association have no objection to business being carried on under a cooperative form, or for that matter under any other form, provided however that they make the same contribution to the public treasury as other similar businesses are called upon to make. At the present time all the members of this Association are subject to very heavy taxation but the one mill which is being operated by the cooperative is, we understand, not subject to taxation at all and it is assumed that the new mill when established at Saskatoon or elsewhere will also be free of taxation. It is obvious that where there are two mills operating in the same place, one of which is subject to heavy taxation and the other entirely free thereof, it can only be a matter of time before the one that is subject to taxation will be unable to carry on business. By way of illustration the following comparison is made between a business organized and operated as a joint stock company and a business organized and operated as a cooperative.

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Company organized with Investors' Capital

Capital		\$500,000
Net profit for year before taxation, (standard profit established at \$35,000)	\$60,000	
Income and Excess profits taxes	<u>35,500</u>	
Net profit for distribution	\$24,500 or 4.85%	
Purchase price for year of produce to producer	1,000,000	

Co-operative

Capital - undistributed surplus accumulated		500,000
Surplus after paying expenses and producer produce same price as Co.	60,000	
Paid to producers for produce	1,000,000	
Paid to producers as dividends	12% on capital	

"Upon the above figures it is quite clear that the cooperative could reduce its surplus or profit from \$60,000 to \$30,000 and could pay by way of patronage dividends 6 per cent to its members, and if it were to adopt this course its competitor, in order to meet that competition would sustain a loss of a little over 1 per cent and it would only be a matter of time before the Company would have to close down or continue on some other basis.

"It is true that the Company paying taxes will be entitled to be reimbursed after the war for some portion thereof but that fact does not alter the present situation.

"With the increase of cooperative concerns carrying

on business in direct competition with similar businesses carried on under the old system, only one thing can happen and that is that the business, in order to survive, will have to carry on on a cooperative basis with the result that the State will derive no revenue whatever unless some change is made in the taxation statutes. It is doubtful whether the present legislation exempts the cooperatives now in operation but up to the present time we understand that no taxation has been imposed upon them.

"Quite recently the Wheat Pool, which is the largest cooperative organization functioning in this province, reduced the handling charges for grains passing through the elevators. In so far as the members of this Association are concerned that had the effect of increasing the price of grain to them, thereby increasing the cost of producing a barrel of flour by at least 10 cents a barrel.

"Owing to the existence of the ceiling price on the selling price of flour the members of this Association have to absorb the additional expenditure and cannot pass it or any portion of it along to the customer as under ordinary conditions they would have been able to do.

"Experience has shown that in order to enter into competition with existing businesses the cooperatives must in certain cases be able to make use of very large sums of money. The ordinary individual who decides to go into business raises that money in many cases by incorporating a company and issuing shares. The cooperative raises the money by way of deductions from the amounts which would otherwise be payable to its members. It is submitted that the moneys acquired by the cooperatives in that way and invested in plants to enable them to carry on business is just as much a capital investment as that made by the joint

stock company under the present method. The cooperative makes profits in the same way as the joint stock company and those profits can only be made by the use of the capital investment in the plant and without that investment it could not be made. Such earnings ought therefore to be treated in the same way as the earnings of a joint stock company.

"The businesses carried on in this province have been particularly hard hit by the present Statutes owing to the fact that at the time those Statutes went into effect business had been at a low ebb for some years owing to the depression. In addition to the depression which affected the world generally the position in this province was greatly aggravated and the period of depression extended by reason of the unprecedented drought. As a result the standard profit for businesses operating in this province was fixed at a lower amount than those businesses which were not affected to the same extent. It is also to be observed that owing to the low standard of profits fixed it is quite impossible for any of the present concerns to expand their business or even recover any of the losses sustained during the depression, while on the other hand the cooperatives are not so handicapped. The effect is that businesses other than cooperatives are paying a heavy tribute towards the cost of the war whilst the cooperatives are able to take advantage of a situation created by war, the winning of which is as vital to them as it is to the rest of us.

"The freedom from taxation which the cooperatives at present enjoy constitutes in our opinion a subsidy. That subsidy is being contributed to by the tax payers generally. Included amongst those tax payers are the members of our Association and we therefore are in the position of con-

tributing moneys which are in effect being used by the co-operatives to put us out of business. In other words we are furnishing our competitors with the sinews of war.

"We wish respectfully to submit the following general principle which should be given consideration in recommending changes in the applications of the Income War Tax and Excess Profits Tax laws in relation to cooperatives:

"That all cooperative organizations carrying on business in competition with businesses which are liable to taxation should be taxed in the same way.

"All of which is respectfully submitted.

"Dated at the City of Regina, in the Province of Saskatchewan, this 23rd day of January, A. D., 1945.

Saskatchewan Flour Millers Association

Per: B. J. Allbright
President

Per: P. Fisher
Secretary."

BY MR. HODGES:

Q. Is there anything further you would like to add to the brief you have just read? A. There is one point I would like to emphasize. In connection with all flour milling activity in this country, we feel that there is a double subsidy applicable in view of the fact that the reduction in grain handling charges instituted by the pool cooperatives has made it necessary for the milling industry to compete with them and reduce their handling charges which we all know are below cost. Consequently we lose the milling profit, the normal profit that would accrue from the handling of grain, whether it was further milled or shipped, and it does become a double loss to the milling industry generally by reason of the attitude of the cooperative associations in

the matter of this reduction. I think that is all I would care to add.

BY MR. PARKER:

Q. How do you relate that loss to which you have just referred to the question of taxation? A. In this way. All flour mills are also, in most instances at least that I know of, grain handlers. They buy grain not only for immediate needs but for shipping. Grain handling has been a profitable business.

Q. Isn't that a separate department from flour milling? A. Yes, but it is carried on in conjunction with most mills.

Q. If it is not profitable why continue it? A. Because the mill requires that grain and must maintain its customers in order to continue in the years to come. We feel we cannot afford to lose those customers.

Q. On page four you say: "As a result the standard profit for businesses operating in this province was fixed at a lower amount than all those businesses which were not affected to the same extent." I do not follow what you are driving at. A. I can explain that. Most Saskatchewan businesses were very much in the red for many years prior to the period when the earnings of other companies had somewhat recovered from the general depression. We in Saskatchewan suffered for a continued period beyond the rest of Canada.

Q. Was not that taken into consideration in fixing your standard profits? A. To a small degree but not to the extent we think it should.

Q. Not to the degree that you thought it should be, but was not the principle recognized? A. Yes.

Q. In an attempt to equalize the difference? A. Yes.

Q. On the first page you say: "The daily productive capacity of all the mills at present operating in Saskatchewan totals 16,945 barrels of flour, each barrel containing 196 pounds." Do you exclude the national or international flour mills that you have mentioned above? A. No.

Q. You include those? A. Yes. Those are the latest Government figures.

Q. On the second page you draw a conclusion "...it can only be a matter of time before the one that is subject to taxation will be unable to carry on business." I have asked this question of a number of witnesses heretofore and I would like to have your explanation: If that is so, why is it that you do not change over to cooperative methods of doing business if it is so simple? What objection is there to it? A. That may be a personal matter in that most owners of businesses feel a pride and pleasure in the operation of their business and do not wish to share responsibility or returns or general administration of the business. People are so constituted that they sometimes like to operate under their own responsibility rather than that of a group or society.

Q. Do you think the question of taxation should be regarded by the proper authorities in such a light as to gratify personal pride of that kind? A. Yes, I do.

Q. Further down on page two, after the tabulation of figures, you say: "Upon the above figures it is quite clear that the cooperative could reduce its surplus or profit from \$60,000 to \$30,000 and could pay by way of patronage dividends 6 per cent to its members....."

Its surplus or profit. Do you consider them the same thing?

A. Yes.

Q. "...and if it were to adopt this course its competitor, in order to meet that competition, would sustain a loss of a little over 1 per cent....." How do you arrive at that 1 per cent? A. Under the excess and standard income profits of the organized company as first classified, they would have an annual earning of 4.8 per cent as compared with 12 per cent under the co-operative method of doing business. If the cooperative wished to cut prices and still earn 6 per cent, the standard company, to compete, has a loss of 1.5 per cent. They would have a straight loss.

Q. Yes, but on their theory that 6 per cent does not represent interest on capital but the balance of the price on the raw product. A. But it is surplus over cost of production which the other people would not have, and when you haven't got something you can't make it up.

Q. That is how you work it out? A. Yes.

BY MR. ELLIOTT:

Q. I am not clear on that. If prices were lowered so much that the cooperative had \$30,000 less surplus or profit, a similar private company would also have \$30,000 less surplus or profit selling at the same price. A. Yes.

Q. And that would affect income taxes paid? A. Yes. The ordinary milling company would find it necessary to compete with its counterpart, the cooperative milling company, and I don't think they could afford to reduce their prices very much because milling prices are very close to cost. There is a very small margin in flour milling. It is a matter of volume.

Q. You assume \$60,000? A. Yes. I think the mill would in some manner have to try to compete and make that profit or very close to it no matter if they had to compete

against a lower priced product. Let us assume they would continue to make a profit large enough.

Q. Say \$30,000, having to meet their competitor's price? A. Yes. Then, of course, their income tax would be reduced.

Q. But it would be substantially reduced because they would not have to pay excess profits at all? A. Yes, but the same factor enters into it and it would come to a point where they would lose.

Q. If they were making no profits at all they would pay no tax? A. Yes. But if eventually, to compete, they had a loss the cooperative association could still be making a profit.

Q. Can you make that clear to me? A. Let us assume that the two companies similarly set up have operated in business for the year 1944, and competition has been keen and prices have been cut; and let us say the cooperative makes 2 per cent.

Q. Or \$60,000, as you have it here? A. Well, that would leave the other, on the same basis, making \$60,000.

Q. Then say \$30,000. A. Yes, and the other company makes \$30,000. I don't know what their tax would be on the basis of \$30,000.

Q. Bring it down to nothing at all. They cut prices so much that the private concern makes no profits; they get \$60,000 less revenue, with the same expenses, and the cooperative does the same. A. Then there is no difference. There is no opportunity to accumulate funds for further expansion or curtailing or cutting prices.

Q. Then all you have done is to have zero profits in each case? A. No. In zero profit there is no loss, but the cooperative could make a profit, paying no income tax.

Q. In the case of zero profits the corporation --

A. I am not referring to zero profits in that case.

Q. You are referring to \$30,000? A. I did not say any sum. I say there could be a profit in both instances. Let us say that in both instances it was the same; the co-operative could be in the black and the private company in the red.

Q. But taxation would diminish as you got nearer and nearer to the red until, at a point just before you got into the red, the tax would be zero, and in both cases the two, it seems to me, would be in the same position?

A. I think you are right there. But there is a point under normal profits where there would be a loss for one and a profit for the other.

THE CHAIRMAN: If you do not make profits and the co-operative does not, neither is taxable?

THE WITNESS: That is right.

THE CHAIRMAN: But your contention is that the situation of the cooperatives gives them a better chance of making a profit and a reserve than you have at the present time?

THE WITNESS: Yes.

THE CHAIRMAN: That is your contention?

THE WITNESS: Yes. This was not mentioned in the brief, but let us assume that this particular situation exists four years and we run into a year like 1935 on the prairies, which was a ghastly year for the milling industry. After four years, if they did not distribute, the cooperatives would have \$240,000 as a cushion and there would be a considerably thinner cushion for private industry to fall on.

THE CHAIRMAN: That is, you have not the same opportunity to build up reserves?

THE WITNESS: No, nor to expand or anything else.

BY MR. PARKER:

Q. That is the whole argument. Let us put it another way. Take two sets of figures. You say that, each having a capital of \$500,000, under the present set-up you are allowed to earn 4.85 per cent and they are allowed to earn 12 per cent. A. That is right. They have 7.15 of an improvement over the private corporation.

Q. That is of course only on the assumption that the two are the same kind of animal so to speak. That is where the whole question comes in. A. We are opposing it on that ground.

Q. And if your assumptions are wrong the conclusion is wrong? A. Yes.

Q. You are pretty well acquainted with the amount of business done by the various mills which comprise your association? A. I think so, Mr. Arnason.

Q. Would you say that during the last three years their volume of business has increased by a considerable amount? A. Yes, in domestic business, the total amount.

Q. Following that up, would you say that as a result of that increased volume of business their profits before taxation have also increased? A. Yes.

Q. It has been stated by several witnesses who have appeared before the Commission that in view of the increased volume of business which has taken place during the last three years, and the resulting increase in the profits before arriving at taxable income, the net result has been to provide larger profits for various types of business even after they have paid taxation at the high rates which now prevail. Their net position has improved because of

increased volume of business in spite of taxation. Would you say that was correct with regard to the members of your association? A. , Not generally speaking, no, but I know of two or three cases where it is correct.

Q. You have figures? You know of that; you have detailed information? A. No, only from conversations with managers.

Q. Following that a little further, in the example that you give on page two, in the case of a privately owned company the net profit for distribution after taxation is 4.85 per cent? A. Yes.

Q. Do you think that the illustrations might be modified by other factors which prevail generally? First of all, in the case of the cooperative, the surplus is distributed in proportion to purchases, and if that is the case the ability of the members to pay taxes is thereby increased. What I am driving at is this. While in one case the corporation pays income tax which leaves 4.85 per cent of profit and the other has a surplus which makes it possible to distribute 12 per cent dividend, do you think there could be any net loss in revenue to the national treasury if the recipients of the 12 per cent dividend were required to pay taxes on it as individuals? I am speaking of the public interest and the public treasury generally. A. I would not know, but I think so. I think the public treasury would suffer. I cannot answer specifically.

Q. I do not want to press this if you feel you cannot answer it. A. I don't think I am qualified to answer that.

BY MR. PARKER:

Q. I presume the answer would be that it would depend on the terms on which the individual recipients were paying? A. I think the treasury would suffer, but I would not like

to say.

BY MR. ELLIOTT:

Q. You seemed a little reluctant to face the gloomy prospect where all profits had disappeared. A. I don't like to think of it.

Q. Can you tell me whether all the mills you represent have in each year actually had to pay income or excess profits taxes? A. No, I could not say. All the mills I represent were in the red classification for a good many years, in the 30's. When they make profits they do not talk about them as volubly as when they make losses.

Q. One other point. The cooperative institutions, presumably, have already accumulated substantial reserves in many cases? A. That is the point which the mills feel is a dangerous thing so far as their future is concerned.

Q. You are afraid they might do as you suggest on page two, lower prices and use that reserve to give the private mills very serious competition? A. We look to that as a very definite possibility.

Q. How would the application of excess profits and income taxes, starting from now, improve your situation? A. I think perhaps, as it affects our business, the greatest damage has been done in the accumulation of these tremendous reserves. However, it would make competition on the basis of worth and efficiency more equal in the future.

BY MR. ARNASON:

Q. May I ask a question on a minor point with reference to something that appears on page three. You say: "The cooperative raises the money by way of deductions from the amounts which would otherwise be payable to its members." I presume you refer to deferred dividends? A. Yes. That is their working capital, expansion capital, in our opinion.

Q. I presume you meant to indicate that that is one way whereby they accumulate working capital, because it has been intimated by other witnesses that when new enterprises are started or purchased by cooperatives, in a number of instances -- a good many of them as a matter of fact -- they are financed by new subscriptions of capital by the members. That is the reason why I suggest you meant that this is one method whereby it could be done. You did not mean to imply that it was the only one?

A. No.

MR. VAUGHAN: If profits were reduced to zero the Government would lose \$35,000, so far as the corporation is concerned, and the rates that would apply to cooperative members might be so low that what would be received would not equal that part of the \$24,000 of net profit for distribution which the shareholders of the corporation would pay in taxes.

MR. J. H. WESSON: My name is Wesson, of the Saskatchewan Pool. Our Counsel, Mr. Milliken, is not in his seat at the moment and I would like to ask the witness a question for purposes of clarification. Have I your permission, Mr. Chairman?

THE CHAIRMAN: You have.

MR. WESSON: Did I understand you to say that when the pools reduce handling charges on grain, to meet that competition you are forced to operate at less than cost? Did you say that?

THE WITNESS: I did.

MR. WESSON: Did you also say that the only way the pools could operate on this basis would be to draw on reserves to make up the deficit?

THE WITNESS: I don't know that I said that, but I believe it.

MR. WESSON: You believe that?

THE WITNESS: Yes.

THE CHAIRMAN: Does that dispose of the case?

MR. PARKER: That completes the list of cases with the exception of the one set down for tomorrow morning.

MR. FRANCIS: There is one small matter which I take the liberty of bringing up before the adjournment, Mr. Chairman, inasmuch as your Lordship has shown considerable interest in it. It might be well to have a report on it. I believe my learned friend Mr. Thorvaldson has availed himself of the privilege of dealing with the Sherwood Co-operative.

THE CHAIRMAN: Will you give him an honorary membership?

MR. FRANCIS: With pleasure. Mr. Rankin and his associates felt that since Mr. Thorvaldson was a stranger in our midst he should be persuaded if possible to make application. He has signed the application, but under the by-laws the directors have to deal with it. Mr. Rankin is recommending to the Board that they accept the application, and in the meantime we are giving him an interim receipt. His number is 4349 and I have great pleasure in tendering this honorary membership to him.

MR. THORVALDSON: Mr. Chairman and Mr. Francis, I have much pleasure indeed in accepting this membership, and I would take this opportunity of bringing to the notice of the eastern members of the Commission this small token of the hospitality of the people of western Canada to visitors from other parts of the country.

The Commission thereupon adjourned to meet on Saturday, February 3, at 9.30 a. m.

.....

Regina,
Saturday,
February 3, 1945.

The Commission met at 9.30 o'clock, Mr. Justice McDougall presiding.

Examination C. T. Gooding resumed:

BY MR. PARKER:

Q. You are still under oath, Mr. Gooding? A. Yes.

Q. In order that we may pick up where we left off a couple of days ago, have you your brief in front of you? A. Yes.

Q. Let us begin at the start. There are one or two questions I want to clear up. On page two you say that in carrying out its purposes "the association acts in the capacity of agent for its members and thus makes neither income nor profit as an association." In addition to the business you carry on as agent for the members, do you buy and sell any commodities outright? A. No. We do not buy and sell any produce at all.

Q. You neither buy nor sell? A. No.

Q. You sell the products which are delivered to you? A. Yes, but we don't buy.

BY MR. VAUGHAN:

Q. You buy supplies? A. Yes.

BY MR. PARKER:

Q. Merely supplies for carrying on the business of the association? A. Yes, for operating the business.

Q. And you pay for them out of what? A. Out of the general funds of the association.

Q. Or the funds of the members? A. Well, the association of course is owned by the members.

Q. They are members of the association? A. Yes.

Q. Do you make any distinction in your thinking or in your activities between the association and the individual members thereof? A. Would you mind saying that again?

Q. In your thinking and in the carrying on of your activities do you make any distinction between the corporate entity, the association, and the individual members?

A. Yes.

Q. They are separate and distinct in every respect?

A. That is right.

Q. In the second paragraph on page two you say: "...the association in its capacity as agent follows the practice of making two payments to its members: (a) an initial payment when the product is delivered and (b) a final payment when the product has been ultimately disposed of." On what principle do you arrive at the amount of the initial payment? A. The answer to that question is that the trade generally recognize the price of cream, we will say, as the market price. We from time to time decide whether the market price is the price we can recognize as the initial price. If the market price is in our opinion satisfactory as an initial price, then that is the price we pay. In common parlance, we use the term market price.

Q. You use your best judgment, try to follow the market, and estimate what is a safe price to pay, believing you have left a sufficient margin to take care of all necessary expenses and reserves and have a little left over. That is what you try to do? A. Yes.

BY MR. ELLIOTT:

Q. Your decision whether the market price is satisfactory to you is influenced by the amount of payments you expect to make in that year from the revolving fund? A. Yes. We

try to keep it in a safe position.

Q. And you take into account the amount which in the ordinary course of events you have to pay out? A. Yes.

Q. Is it influenced by the prospect of purchasing additional property? A. Would you mind repeating that?

Q. Is your decision whether the market price is a satisfactory price for your initial payment influenced by the prospect of purchasing additional property?

A. Definitely not; no.

BY MR. PARKER:

Q. Have you had in contemplation the purchasing of additional new equipment? Would you make the initial payment less in order to provide capital for those expenses?

A. I could not answer directly yes or no, but I doubt very much whether we would ever adopt a policy of paying an initial price to the producer on the basis of building up reserves for expansion. It never has been done.

Q. It is not a factor in fixing the initial price?

A. Not at the present time.

Q. At what time in each year do you make your decision as to what the initial payment will be? Is that done yearly? A. Yes. We close our books at the end of the calendar year, December 31.

Q. On page two you say: "That the total payment to members represents the entire price received for his produce less only the cost of operating and conducting the business of the association." In "the cost of operating and conducting the business" do you include the necessary reserves which you set aside? A. No.

Q. Would it not follow, then, that if you only deducted cost of operating and conducting the business of the association, and did not deduct any reserves, the capital

could not grow? A. That is correct, unless the amount earned in any one year is greater than the liability to pay out for the preceding year.

Q. How does the association earn money? A. We do not earn money as such.

Q. I was using your own words. A. As a common term we use the word "earnings", but after disposal of the goods at the end of the year then we credit to our members any undistributed balance over and above the initial price which was paid at the time of the delivery of the goods.

Q. And that is credited in these pass books to the members? A. That is correct.

Q. You have nothing in your accounts under the heading of reserves as such? A. That is right. At the end of the year, as the directors close the books, we credit the total amount in the pass books of the members and start another year.

Q. There is nothing in your accounts headed "Reserves" as such? It is consolidated in these pass books?

A. Yes.

Q. Every cent you have over and above what is paid out? A. Yes.

Q. On what principle do you act in deciding how much you should pay out and how much you should hold as represented in the pass books. A. The principle is arrived at by the manner of paying out the final payment.

Q. You have furnished us with a sample of the pass books you use. Each member has one of these and at any time it will show what I think I can call his -- A. Call it equity.

Q. -- undetermined share of the total? A. It is not undetermined.

Q. It would be stated in so many dollars representing

the value of his share in the total assets of the association?
... In dollars.

THE CHAIRMAN: And the total of these would be your net worth?

THE WITNESS: With the exception of a small item known as the organization fund, which is the membership fee. The membership fee is shown in the net worth, which is not credited in the pass books.

THE CHAIRMAN: The total credits in the pass books represent the total on hand as having been received from sales?

THE WITNESS: Yes.

BY MR. PARKER:

Q. Can you tell me generally, over the last four or five years, whether the sum-total of these pass books has been increasing? A. Oh yes.

Q. Quite rapidly? A. Reasonably so.

Q. I do not want information that is unnecessary to the Commission, or which will unnecessarily pry into your private affairs, but in general terms. A. I could explain it in this way. In 1927 we started the association with nothing -- no moneys whatever. Obviously for the first year or so our earnings were not particularly large. They have shown, however, a steady increase ever since, and to give you that information I will read --

Q. Perhaps you will give the figures. A. I cannot give you anything going back before 1938. I have it compiled after 1938 and the total we had credited to our members at that time was \$194,856.88. That is the accumulation of the earnings.

Q. Up until that time? A. Yes, from 1927 to 1938.

Q. It does not represent what they got for that

particular year? A. No.

Q. It is an accumulation to that date? A. Yes. The next year, 1939, we had only increased the net worth \$11,567.

Q. Give the total in each year. A. In 1939 the total was \$197,854.13.

Q. And in 1940? A. That means that our earnings or initial price paid was so close to the final settlement that there was only \$11,567.

Q. In addition to that had you paid anything in actual cash? A. Not that year. I see what you mean. I can tell you that later.

Q. Perhaps you can finish with these statistics first.

MR. MILLIKEN: I understood you to say that it was \$194,000 in 1938 and \$197,000 in 1939, and you spoke of an increase of \$11,000.

THE CHAIRMAN: There is a difference of only \$3,000 there.

BY MR. PARKER:

Q. Forget the increase and give the totals and it will be obvious what the increase was in each case.

A. In 1940 it had increased to a net worth of \$222,272.

Q. How much came out of the spout that year?

A. \$33,102.11. In 1941 the net worth was \$260,064.32 and we paid out that year \$16,284.91. In 1942 our net worth was \$384,209.74 and we paid \$36,142.68. In 1943 the net worth was \$545,855.01 and we paid \$21,860.72. That is since 1938. The 1944 account has not been audited. If you wish to have the unofficial figures --

Q. Well, give us those. A. It is not audited.

Q. They will be approximately correct? A. Yes.

Our revolving door commenced in 1936, which was eight years after the organization started. In other words, we had accumulated sufficient funds which we had on hand to operate the business so that we could take care of our most sacred liability, and we commenced paying to the members each year the amount of money they had earned those years previously. Our net worth is allocated in each member's pass book so that your suggestion that our net worth does not grow to any extent once the door revolves is correct, though at times our earnings may be greater than the amount being paid out while in another period of years that would be reversed and the net worth would decrease.

Q. Up one year and down another? A. Yes.

Q. Will you give us the unofficial figures for the last year? A. \$801,000.

Q. And you paid out how much? A. \$25,000.

Q. During that period, is it fair or is it true to say that the producers who have been shipping milk and cream to you have been receiving by way of initial and final payment the ordinary market price the same as producers in the same area would be receiving from independent dairies? A. Yes.

Q. So that having received the same price as the independents, speaking generally -- of course, I know there are fluctuations; there is no doubt about that -- is it fair to sum it up this way, that during that period your association had been able to build up what we might call working capital or money at your disposal to operate the business with the figures you have just given? A. Yes.

Q. Is that a fair way to put it? A. Yes. In round figures, we paid out \$182,000 to the members since the door started revolving.

Q. Is that in addition to what you have stated as a fair market price? A. Yes. There have been times when we have not found it possible to follow the market price, but it has been very seldom.

Q. But speaking generally, that is substantially true? A. Yes. There are times when there is a little trade war for a few weeks, but that is the only time.

Q. I am speaking generally. A. Yes; that is correct.

Q. Do you file income tax returns? A. No.

Q. You never have? A. No.

BY MR. ELLIOTT:

Q. Why did you decide on an eight-year revolving fund for one set of shippers and six for another? A. I might explain it in this way. Our first job, of course, was to get our organization in a position where we were sufficiently liquid, where we could carry on our business with our own money, with the members' money, so that we would never be borrowing. Our liabilities had ceased to exist other than our accounts payable and so on, and we accepted the responsibility of having sufficient funds on hand to meet our liability to our members in the revolving door plan, whereby we recognized the amount of money which we had to pay out to them, having in mind the fact that we might run into some years where the earnings or undistributed portion would not be very great, so that we had to have sufficient money on hand to take care of all our obligations at that time. We found that after eight years -- that was the decision of the directors -- we were in a position to start paying out funds without having any financial embarrassment in the future.

Q. And you decided upon an eight-year plan for one set

of shippers and six for the others? A. Yes. The cream shipper earnings are not as great as the milk shipper earnings and therefore it was unnecessary, in order to soundly finance the cream shipper members' business, to hold money for any further length of time than six years. In other words, the general over-all financial position was such that when we started the milk shipper door on the basis of eight years we could carry the cream shippers six years. The cream shipper, remember, did not participate in the membership of the association until two years after the milk producers had started organization. In other words, we started in 1927 as milk producers and invited the cream producers in 1929.

Q. Is there any relationship between the amounts retained from milk shippers, as compared with the amount retained from the cream shippers, and the relative investment required for handling milk on the one hand and cream on the other? A. No. We have not set aside any definite ratio in that regard. We have to sell each section's goods on the basis of the market available, and the funds so derived are credited to that particular section. We have found in some years that the cream shipper member has not been enjoying the earnings that the milk producer has because he has certain other markets at his disposal.

THE CHAIRMAN: Are the two sections segregated?

THE WITNESS: Yes.

BY MR. PARKER:

Q. The figures you have given us represent all sections? A. Yes.

Q. I take it that when this association was started it had in mind handling only fluid milk? A. In practice, yes; but I am not so sure that it is correct to say we were

not thinking about other things.

Q. But your primary purpose was to get into the fluid milk business? A. Yes; that is right.

Q. I notice on page two you say: "In its initial stages the association was engaged in the marketing of fluid milk only but as it developed it accepted cream shipper members as well and is now engaged not only in the distribution of fluid milk but in the manufacture of butter, cheese and dried milk powder." That suggests a considerable departure from the original purpose for which the association was incorporated. A. That is not correct.

Q. You contend that it is a natural growth and development in the handling of dairy products of all kinds?

A. Yes.

Q. But you make no distinction, in your thinking and in the conduct of your business, between the handling of primary products like milk, and possibly cream, which is a primary product in a sense, and the manufacturing process whereby you produce butter and cheese, which products require a good deal of equipment. You make no distinction between those forms of operation in your approach to the subject? A. That is rather a difficult question to answer. However, I will explain it in this way. We recognized, the moment we started operations in 1927, that we would have to purchase some equipment in order to go into certain lines of endeavour, and our first idea, which became a matter of practice eighteen months afterwards, was to dry milk. And so, with the proceeds of our first earnings, we purchased a dried-milk machine. At that time there was no market for dried milk. It was to a large extent being wasted, going down the sewer -- that is skimmed

milk. So that while you can say that we have developed markets considerably, it is not out of line with what we contemplated at the commencement of our operations.'

THE CHAIRMAN: You save a by-product?

THE WITNESS: Yes.

BY MR. PARKER:

Q. What I was thinking of was this. This is a co-operative association that started out, I assume, primarily to do something of service to a certain group of farmers?

A. Yes.

Q. Well, have you not departed some distance from that purpose when you start to buy creameries in other sections and to enlarge in this direction and that, extending the area of your operations, consolidating, and so on? That looks like new trade. How did that all come about? I would add one thing more: It does not render additional service to this original group of farmers, does it?

A. That is the whole point. It does.

Q. Explain in what way. A. The original membership of the milk shipper section was 250, and that was not what we would term an economic unit.

Q. Would it not be economical in the handling of the product of those two hundred and fifty if you remained in the fluid business only? Would it not have been economical if you had not branched out? A. No; and I am trying to explain the reason why. The amount of milk which was delivered by these 250 farmers from time to time was at variance with the fluid milk requirements in Saskatoon -- that is where we started -- because at times there was a shortage of fluid milk for the citizens while at other times a surplus was being delivered by the 250 farmers who originated the association. When there was a surplus we

found that we were handicapped nevertheless in trying to process that surplus into various products, because of lack of volume. We also recognized that there is an economic area which we could operate in to the advantage of the old original members of the institution, and so we had in mind, when we started the organization in 1927, that those in the milk sheds of Saskatoon, North Battleford, Prince Albert and possibly one or two other points in that adjoining territory such as Melfort, might well become members of our association in order that each should help the other in marketing the surplus products. And our creamery development has taken place within that area -- not outside of it but within that area.

Q. You expanded as the services rendered to the original group extended and became more valuable? A. Yes.

BY MR. ELLIOTT:

Q. Have you extended to the point where you derive the greatest advantage available, or would it benefit you to expand still further? A. No. We have no intention of expanding any further than we are at the present time.

BY MR. PARKER:

Q. Why do you not pay more to the members rather than keep piling up reserves or working capital? If your expansion has reached its limit, instead of retaining \$500,000 or \$600,000, why not reduce that down to what it was? A. There is no reason why the Board of Directors should not do so if they so decide, once our job of developing is finished.

Q. The amount paid back is determined by the Board of Directors? A. That is right.

BY MR. ARNASON:

Q. The latest phase of your expansion was completed

only two years ago? A. That is right. We are hardly complete yet. There are certain spots in that area where possibly we will be finishing the job.

BY MR. PARKER:

Q. Can you give us in a few words something that will indicate the extent of the expansion? In the interim you have purchased eight creameries? A. Yes.

Q. Those were existing creameries when you took them over? A. Yes.

Q. Operated by other cooperatives or by independents? A. By independents.

Q. Without going into the details of each, were these purchases made by you taking the initiative and going to the vendors and asking them to sell out, making them a satisfactory offer, or did they come to you and urge you to buy? It may have been one in one case and the other in another instance? A. That is right; our experience has been exactly that. In some cases the operators come to us and in other cases we have gone to them.

Q. Take the case of those who came to you. Speaking generally, what was the reason? Did they find the sledding tough or where they sick, or did they want to retire, or what? A. I would say possibly it was good business on their part to sell to us.

Q. You made an offer which appealed to them and you came to terms and you bought? A. Yes, rather than having us establish a branch of our own in that district. It must be understood that the creameries we have been interested in are within our own geographical area.

Q. To put it frankly and come to the point, was your expansion of such a nature as to drive the independents out of business step by step in consequence of pressure and the

exceptional offers you could make them, so that they found it to their advantage to get out? A. It was certainly not to drive them out of business but to complete the development which we had in view when we commenced the organization.

Q. Whether you intended it or not, did your expansion, your method of doing business, and the impact of your operations upon the independents result more or less in forcing them to sell out because they could not carry on? Is that a fair way to put it? You have heard that suggested, have you not? It has been suggested to us that that is going on all over the country. A. I am not prepared to admit that it was a matter of their being forced out, but I do think that the general prospective policy of our association, which took in a certain area, influenced the thinking of the operators who happened to be carrying on in our territory.

Q. You were generally consolidating business in that area and that of necessity made it a little more difficult for the others to stay in that field. Is that it?

A. Apparently.

BY MR. ELLIOTT:

Q. If it was to the advantage of your members to expand as you have expanded, presumably it would have been advantageous to the other line of creameries had they been in a position also to expand. What would you say to that?

A. I can't answer yes or no. That would be an ambiguous answer.

Q. There are, however, advantages which a group of creameries can achieve by expanding over an area?

A. Definitely.

Q. You obtained those advantages, while other creameries

that were not expanding, or probably did not intend to expand, did not? A. Yes.

Q. Therefore, presumably, as you expanded your position became relatively stronger than theirs? A. That is correct.

Q. One other point. It has been brought to our attention that it is difficult to establish a new creamery in the province because of dominion and provincial regulations. This is a matter of opinion and you need not answer unless you want to. In buying these creameries, these businesses, in the last few years, do you consider that you have paid something above the value of the physical assets in order to obtain the outlet --something in the nature of goodwill? A. We purchased the fixed assets of these businesses on the basis of their business value, and not on the basis of any protection that might be afforded by some licensing board in the province or the Dominion.

Q. By "business value" do you mean the physical value of the property or the assets as a going concern?

A. A going concern.

Q. Which might be in excess of the physical valuation?

A. In our case it was not.

BY MR. PARKER:

Q. What was your method of acquiring the shares of the limited companies? A. In each case we made a cash offer for the business, for the assets of the business.

Q. You bought the assets and not the shares in the company? A. No.

BY MR. ARNASON:

Q. In your previous answers you have indicated that one of the reasons for your expansion was, first of all, the necessity for a more economical unit to benefit your original

producers, and another was to take in an area which, by reason of better production of fluid milk and distribution, might be considered an economic area. Leaving that for the moment, was there, in addition to these reasons for expansion, a desire on the part of the cream and milk producers in the new territories for your organization to move in there?

A. Very definitely. But at the same time we notified any producers who tried to coax the organization to establish a branch in outside territory that we had in mind when we started that it was not within our sphere.

THE CHAIRMAN: You were much more highly organized than any of the local businesses you took over? They were not organized.

THE WITNESS: They were not cooperative.

THE CHAIRMAN: They were not organized in any other way either?

BY MR. PARKER:

Q. They were completely independent units?

A. Yes.

BY MR. ARNASON:

Q. There were several creameries owned by one organization? A. Yes.

BY MR. PARKER:

Q. Does what you have said concerning creameries apply to cheese factories as well? A. Yes.

Q. Both as to your reasons for taking them over and as to the method of doing so? A. Yes.

BY MR. VAUGHAN:

Q. In making a cash offer for these creameries and cheese factories, on what basis did you arrive at the amount you would offer? Would you go and make an actual valuation of the assets or take the book values as shown by the company?

A. We did both.

Q. How would the price paid compare with the book values at which those assets stood in the books? A. I would imagine they would be pretty much in line with the book value. We did not ask for a statement of the company in detail. I imagine we arrived eventually at the value of the organization by determining its earning power or the amount of money they were prepared to show they had made for the past years, plus the physical assets.

Q. The offer was not based on the value of the assets alone but on earning power as well? A. Yes.

BY MR. ELLIOTT:

Q. And that in some cases would be in excess of the value of the physical assets? A. Yes; I would say that is right.

Q. I am afraid you did not understand my question when I asked it before. Would it be much in excess?

A. No, I don't think so.

BY MR. VAUGHAN:

Q. Have you the books of the former companies which would show what their book values were and what was paid them? A. No. We took the age of the building plus present-day value and we did our own depreciating, figuring how old the equipment and the buildings were, and naturally we used the present-day market price of lumber and material and so on. We arrived at a reasonable appraisal of the physical assets of that particular branch in that way. We took an inventory of everything.

Q. You valued the buildings at cost of replacement today and took also depreciation according to the age of the building? A. Yes; and it had to jibe with their earning power. We wanted to know their earning power so as to

arrive at a fair valuation, which in each case was given us.

Q. In most cases you paid more than the book value on the books of the company? That is, the earning power was greater than the actual book value represented?

A. Possibly, yes, but not too much. I don't think it was very much more than the book value.

BY MR. NADEAU:

Q. Could we have the figures on this question?

A. I have not the books of the previous companies.

Q. But the price you offered? A. Oh yes.

Q. Could we be supplied with that?

BY MR. PARKER:

Q. Perhaps you could prepare that and send it at a later date? A. Yes.

Q. At the top of page three you say: "At the end of the last financial year, the balance sheet as of December 31, 1943, showed the total assets of the association to be \$705,728.37." That amount includes these various creameries, the physical assets we have been discussing? A. Yes. It is the total assets.

Q. In arriving at that figure you properly depreciated all the physical assets that we have been discussing?

A. Yes.

Q. And that is how they stand today on the basis of depreciation and so on? A. Yes.

Q. In the middle of the page you quote certain sections of the by-laws. You did not file those?

A. No, but they are being prepared for you.

Q. You quote the following: "The business of the association is to be conducted on such a basis that, so far as possible, no profit shall be taken from, charged to, or exacted against any member of the association on the marketing

of any dairy products for such member of the association." Is there a provision in the memorandum which enables you to go and buy and sell dairy products the same as any ordinary company? A. Yes.

Q. You have that power in your charter? A. Yes. I have the original.

Q. There is no question that you have the power? A. Yes.

Q. And so far you have never exercised it except for the purpose of supplies? A. That is correct.

Q. Again, referring to that section, you say the business of the association is to be conducted on such a basis that as far as possible no profits shall be made. Have you succeeded so far? A. Very definitely, yes.

Q. You go on to say in the brief: "The association has further aimed to improve the quality of the members' products and to improve marketing methods, thus reducing marketing costs." I take it you have succeeded in doing that to some extent? A. We are working all the time in that direction.

Q. You have no share capital? A. No.

Q. In taking over all these creameries, that was done pursuant to resolution passed by the Board of Directors? A. Yes.

Q. Were these purchases one by one ever submitted to the shareholders to see if they should be taken over? A. At every annual meeting, of course.

Q. Did the directors finally take this decision off their own bat or did they consult the shareholders to see if they approved? A. The directors took the responsibility upon themselves, but it was reported at each annual meeting for the approval of the organization. We have that power.

Q. You not only have the power but you have exercised it? A. Yes; that is correct.

BY MR. NADEAU:

Q. Is this power of taking over private business included in your producer's contract? A. Not in the producer's contract but in the memorandum of association and by-laws.

BY MR. PARKER:

Q. Look at the bottom of page four. You say: "The milk pool is closed at the end of each financial year and the milk shipper's share in the pool is allocated to him on the basis of his deliveries, by resolution of the Board of Directors at the time the pool is closed." That is all done by the Board of Directors without consulting the shareholders? A. Yes.

Q. How many directors have you? A. Fifteen.

Q. Representing each section? A. Yes. Each section has its share.

Q. And these take the place of what we have heard described as participation certificates? A. Yes.

Q. This is your particular type of participation certificate? A. Yes.

Q. Coming to the question of associate members, you have two kinds of members? A. Yes.

Q. One is the associated member and the other -- A. The participating member.

Q. Participating and associate members? A. Yes.

Q. What is the difference between the two?

A. Our policy in the cream shipper section is to accept into membership any producer upon consignment of shipment of one can of cream.

Q. He has to sign one of these things? A. No. That

is the membership certificate. We recognize that producer as an associate member with his first can of cream. After that member has shipped to us sufficient to earn for himself a membership fee of three dollars we write and ask him if he wishes to become a participating member. If he accedes to the request then he is passed by the Board of Directors as a participating member and is sent a participating certificate.

Q. He is issued the proper certificate? A. Yes.

Q. Is this right, that on the receipt of his first can of cream, never having done any business before that with you, being a rank outsider, but deciding to send you his cream some day, or his milk, you do not refuse to take it; you accept it? A. Yes.

Q. If anybody offers, you take it? A. Yes.

Q. And you send him this thing telling him he is an associate member? A. Yes.

Q. Without consulting him to find out whether he wants to be a member? A. After he ships his first can.

Q. You tell him that he is automatically an associate member? A. Yes.

Q. And suppose he keeps on shipping and tells you frankly that he does not want to become a member. What is the position then? Does he still remain an associate member? A. Yes.

Q. As long as he ships cream? A. Yes.

Q. There is no distinction between what you call an associate member and other people with whom you do business-- those whom I would call non-members? A. If he wishes at any time to pay the three dollar membership in cash --

Q. I am talking about where he does not want to pay the three dollar membership but wants to keep on sending cream

and you accept it. What is the difference then between the associate member and the non-member? A. We keep his earnings credited to him as an associate member for six years. We notify him every year of the earning which has been enjoyed by him during the years and if at the end of six years he is not anxious to become a participating member then the money is transferred to general funds.

THE CHAIRMAN: Then you never do business with non-members?

THE WITNESS: Yes.

THE CHAIRMAN: The associate member becomes a member automatically?

THE WITNESS: Not automatically.

THE CHAIRMAN: By shipping something to you?

THE WITNESS: Yes. He becomes a participating member.

THE CHAIRMAN: If he so wishes?

THE WITNESS: Yes.

BY MR. PARKER:

Q. But if he does not, then you say that for six years he retains the status of associate member, and then suppose he pulls up suddenly and says, "I am getting fed up; I have been coaxed to become a member." What then? A. He says what?

Q. He has been invited or notified that he may become a member but suppose he boldly refuses the invitation to become a member and at the end of the period he says, "I am through with this outfit", what do you pay him back out of the money you have been holding back for him? A. As an associate member he would not get any money.

Q. This money becomes forfeited and goes into the general fund? A. Yes, after six years.

THE CHAIRMAN: Then you could never commit an infraction

of the 20 per cent provision in section 4 (p) of the Income War Tax Act?

THE WITNESS: No sir; we hope not.

THE CHAIRMAN: Automatically you are protected against that?

THE WITNESS: That is right.

THE CHAIRMAN: Because you cannot do business with an outsider.

THE WITNESS: It may interest you to know that our associate membership is approximately from 5 to 10 per cent.

BY MR. NADEAU:

Q. How many associate members have you? A. As I say, from 5 to 10 per cent. They fluctuate. The question we are discussing now arises purely from the fact that there are a certain number of producers who ship a can or so of cream and we do not know where they are. They are gone. They leave the neighbourhood, or sell out and so on, before they have earned the three dollar membership. There is a certain percentage of what we call deadwood. I do not wish to have that remark taken in the wrong sense; it is simply membership that we cannot find or locate. We write to them for six years, one year after another. They may have nothing but three dollars credited to them and we keep a record of these shipments for six years. The total of these, as I say, is between 5 and 10 per cent.

Q. Do you keep separate accounts? A. Definitely, yes.

BY MR. PARKER:

Q. Suppose at the end of three or four years an associate member who has been shipping milk regularly and has a credit amounting to fifteen or twenty dollars, well over the three dollars, still does not want to take out membership, can he at any time say, "I am leaving and I want my fifteen

or twenty dollars"? A. No; he must become a participating member.

Q. He cannot get it back without that? A. No.

Q. That is a very strong inducement to make everyone join your association if he wants to ship cream to you. Do you agree with that? A. Outside of the category I have already mentioned to you, they naturally become members. That is why they ship cream to us; that is their job.

Q. They could not ship cream to anyone else in that area as long as you have the area? A. We have competition there.

BY MR. ARNASON:

Q. Can you tell us approximately what percentage of your business is done with associate members? A. Five to ten per cent.

Q. In volume? A. Yes.

Q. So that even if you did not have associate members you would still be within section 4 (p)? A. Yes.

Q. With regard to the associate members, is one of the reasons for that the desire of your organization to identify what might be termed the interest to the shipper with the organization? For instance, if a shipper in your area shipped to an ordinary competitive creamery he would get paid for his cream on a butterfat basis and that would be the end; but as far as the associate members are concerned, the contribution which they by their shipments of products make to the earnings of your business as a whole is credited to them and they are given an opportunity of cashing in on that if they desire? A. Yes.

Q. That is the main difference? A. That is absolutely correct.

BY MR. PARKER:

Q. Will you turn to page six of the brief dealing with the pass book. You use expressions there which perhaps may convey a meaning that you did not intend to be taken from what appears there. You say: "The association has adopted the 'pass book' system for crediting each member with his share in the association. Each member is issued a pass book similar to those in use by banks, in which his share of the association's net worth is shown." On the theory you propound, the association has no worth; it has never been worth a sou as such? A. "Net worth" is our own term used for the undistributed earnings or surplus which has accumulated throughout the year.

Q. Is it the association's net worth or the combined net worth of the individual members of the association?

A. The association's net worth.

Q. Is it? A. After all, the association simply acts as agent for its members.

Q. But as we have said, it is a legal entity. It is of sufficient importance to go to the powers that be and ask for a charter and obtain therewith all the privileges which a charter confers whether it is of any use to you or not, though it must have been of some use or you would not have asked for it. What we are trying to establish, or rather one thing we are interested in, is this: Are these dollars representing what you call your net worth of the association's money? A. It is the property of the members.

Q. How can it be the association's net worth? Surely my money does not represent your net worth? We are two separate individuals, aren't we? A. Yes. The net worth is credited back to the producers, to the members, according to the amount of butter fat they have shipped to us during

the year.

Q. I think we understand each other. You refer to it as the association's net worth. You go on to say: "Each year when the pools are closed the pass books are called in to head office of the association to be posted to date. When the pass books of all members are in, and the sums posted therein are totalled, the result will give you the net worth of the association." I suggest that what you mean there is that it is the combined --

MR. THORVALDSON: This is wholly improper. I do not think my learned friend has the right to suggest that the witness means something else than the words used in the brief. The words in the brief are very clear. There cannot be any dispute as to what they mean.

THE CHAIRMAN: The witness is entitled to be questioned on the wording of his brief. People have been known to make mistakes.

MR. PARKER: My learned friend would not want to put the witness in the position of having inadvertently conveyed a wrong impression. Do you want these expressions to stand as they are, Mr. Gooding, and do they express your real meaning?

THE WITNESS: After listening to your explanation, perhaps the wording is not correct. As a matter of fact, we in the office prepared this brief in ordinary layman's language,

BY MR. PARKER:

That is what I assumed, and that is the reason I took the trouble of calling it to your attention. However, if you insist that it expresses your real meaning, or if you would rather amend it now, you can decide. You have the opportunity to amend it if you wish. A. I would like to

take advantage of the opportunity to do so.

Q. I take it it represents the combined net worth of the members? A. Yes.

Q. Let us come to the revolving door and reserves. Again there may be a little confusion. In our discussion so far we have rather kept away from the idea of reserves -- you would call it net worth, I suppose. They are really two terms for the same sum of money and it does not make much difference what we call it; but in the middle of the page you say: "While each member's share from the processing and sale of his products is credited in his pass book at the end of each pool period, final distribution of payments may be delayed at the discretion of the Board of Directors in order to provide the association with the necessary reserve funds for carrying on the members' business most efficiently and with the greatest service to them." I think probably that is the correct way to describe it. It is really in effect a reserve to be used for working capital? A. Yes.

Q. For carrying on the members' business most efficiently. I call your attention to the expression "members' business". Isn't it the association's business that you are carrying on instead of the members' business?

A. Probably you are right; I guess you are.

Q. Don't agree with me just in order to get rid of me.

A. Yes; that is right.

Q. You think that should read "association's business"?

A. Yes.

Q. "Most efficiently and with the greatest service to the members"? A. That is what we want there.

Q. That seems to fit in with what follows: "As soon as the association accumulated sufficient reserve funds to

serve its members efficiently and safeguard their operations as a cooperative, the Board of Directors authorized the return of delayed final payments under the revolving door plan." There you emphasize clearly the distinction between the association as a corporation carrying on business and the members on whose behalf it is carrying it on. Is that your understanding of it? A. Yes.

Q. ".....to serve its members efficiently and safeguard their operations as a cooperative, the Board of Directors authorized the return....." This association, acting through its board, has apparently absolute control of these reserves to use them as it sees fit? A. Yes.

Q. I call your attention to page seven, the latter part of the first paragraph, where you say: "By adopting the revolving door plan of returning all proceeds except operating costs to members the association has been able to achieve its chief object, namely, to give the producer the entire net proceeds from the sales of his products." I call attention to that and I suggest to you that it is not quite accurate as it stands. You are not only returning to the producer the net proceeds from the sale of his products, but you are including in it very substantial earnings made by the company in its manufacturing processes of one description or another? A. It is all included.

Q. You are also paying, not returning. You are paying to him the earnings which the association has made in the carrying on of various manufacturing processes. Do you agree with that? A. Paying rather than returning?

Q. Yes. They never were his; you never got them from him? A. Yes; I can see it now.

Q. I may be wrong about it; I am only putting it up to you. A. "Paying to" rather than "returning". It is the

common word that has been used for years.

Q. I am not worried about whether you pay or return. What is it if you return, or what is it you pay? There is included in it more than the net proceeds from the sales of his products, There is that plus the earnings which the association has made by reason of carrying on manufacturing processes such as butter making and cheese making?

A. Our interpretation is that it is a returning to the member of the final payment. I think that is the interpretation we had in mind in the office of the organization.

BY MR. VAUGHAN:

Q. There is no interest allowed on these credits?

A. No sir.

Q. Let us apply that to the question Mr. Parker asked as to whether the purpose is to return the entire net proceeds of the sales of the members' products. Is not the member entitled to interest on those credits that are set up? He does not get them for six or eight years; is he not entitled to interest on them? He is entitled to something he did not get? A. No sir. In our system of setting up the net result of the year's work, it is based entirely on the member being credited with his share of the total resulting net, less a certain amount set aside to pay interest, and so on and so forth. It is the total amount which has been allotted to him on the basis of his butter fat. Take for example a man who has shipped so many pounds of butter fat. We base it at times on the amount of butter fat he has consigned to the pool and that is the total earnings, and if we were to recognize interest we would have to deduct from the total earning a certain amount of money and say to him, "this is your interest". But we don't do that; we simply credit the total amount.

Q. You credit the total on butter fat or milk or whatever it is; but you set up in the books a credit to his account, let us say this year, and that exact amount is payable in six or eight years? A. Yes.

Q. Isn't that man entitled to more than that face amount? Take interest at only 3 per cent for six years; that would be 18 per cent if it were simple interest, or for eight years it would be 24 per cent. A. But where would the money come from to pay him the 3 per cent?

Q. It would have to come out of the association in some way. You are using the money and the question is whether your member is entitled to that. A. Maybe I did not make myself clear. We have no fund or any portion of our business that we set aside as revenue so that we could use it as interest. A man's total quota is based on butter fat shipment and therefore there is no way of finding money to pay interest to anyone.

Q. Take it this way. If you did not have that money you would be borrowing from the bank? A. Yes.

Q. And you would be paying interest to the bank? A. Yes.

Q. Where would you get the money to pay that interest? A. Out of the members' funds, definitely.

Q. Then why not pay interest on his credit set up in the books, out of the same fund? A. If we borrowed money from the bank and had to pay the bank interest, that would be an operating expense and our net earning at the end of the year would be that much less credited to the members than it would be had we not been obliged to borrow money in the first place. Therefore we try not to borrow money.

Q. I understand that, but this reduces your expenses. I was asking this question to see if this worked out

equitably for the members. If a man had \$100 there for eight years, at 3 per cent interest he would be entitled to \$124 at the end of that time? A. Yes; but we would have to earmark a certain fund from which he would get the \$24 and we have no such fund.

Q. You have an interest account in your books?

A. Yes.

Q. And you would charge it to that interest account?

A. It would have to come out of the man himself. It would be a portion of his own earning.

Q. I know it would, but you would be paying interest to each individual? A. Of course, we have discussed interest on many occasions in the early days of the organization and it is important; but we have no funds out of which we might make interest payments on a man's equity.

THE CHAIRMAN: Isn't that money earning something in your hands while it lies there for six or eight years?

THE WITNESS: Yes.

THE CHAIRMAN: And none of the earning on that money is credited to the member?

THE WITNESS: Yes, definitely.

THE CHAIRMAN: That would be interest, then?

THE WITNESS: Do you refer to interest we receive?

THE CHAIRMAN: It is earning interest or something for you. Does any part of that something go to the member?

THE WITNESS: Very definitely, in this way, that the earning of the money in that interim period is used to defray expenses and therefore his final payment is higher than it would be if it were not for the earning power of that investment.

BY MR. PARKER:

Q. The result is the same whether he gets it back as

interest or under some other label?

BY MR. VAUGHAN:

Q. Here is a credit set-up for \$100. It is that same \$100 he gets back? A. Yes; that is what he has earned.

Q. He gets his share of \$100 each year but it is not payable for six or eight years? A. Yes. It will take him six years to get that \$100 back without interest, but within that period he has had the value of the marketing service that he has been receiving as a member of the organization, and he must not therefore, when he ceases to be an active member, take toll from those who wish to continue giving and receiving the same mutual service.

Q. When you took such care to credit the exact amount of the member, why did you not take the same care to credit the interest on those particular credits? However, that is sufficient.

BY MR. ELLIOTT:

Q. You say the members get an advantage from having these funds held for the six or eight years? A. Yes.

Q. That advantage presumably is reflected in the total payments they get for their consignments to you? A. Yes, that is correct.

Q. Is there any way of measuring in money the advantage that they get from leaving these funds with you? A. No, I don't think there is. Do you mean something tangible?

Q. You said that the advantage they get is greater than it would be if they did not have these services, including in the proceeds, both initial and final payments? A. The advantage they get by leaving the money is an established credit and every member is entitled to a credit up to 50 per cent, or at the discretion of the board the

amount allotted or credited to him.

Q. I was referring to the financial benefit he got by being able to use the services, the equipment, or to have you use it for him. He gets a better return thereby than if he did not leave those funds on hand? A. Very definitely.

Q. A better monetary return? A. That is reflected in his pass book.

Q. My question is: Is there any way of separating that monetary benefit he gets, by leaving those funds on hand, from the price he gets for his product as it is delivered to you or the price he would get for his product if it were sold to you at the time of its delivery to you?

A. I suppose the correct answer is, yes, he could. It is clearly to his own interest to leave that money with us in a tangible form so that we can use it to advantage in the years he is accumulating it.

Q. If you pay the going market price, the advantage of that to him would be roughly the amount of the final payment? A. Yes; that is correct.

BY MR. PARKER:

Q. At the bottom of page seven, coming to the question of advances, I understand that from time to time, as you state in your brief, out of this sum of money that you have on hand you make advances to the members -- loans?

A. Yes.

Q. Without interest? A. Yes.

Q. Whose money is that that you loan to the member?

A. His own. He must create the reserve before he is able to obtain the advance.

Q. Can he borrow only the amount shown in his pass book? A. Fifty per cent or at the discretion of the board

such amount as they see fit. The board is allowed certain discretionary powers. If the member makes a plea it must be submitted to the board.

Q. Any individual member can borrow only up to 50 per cent of the amount of his interest? A. Yes.

Q. And he must show how he can repay? A. Within four months.

Q. You will not let him have even his own money unless he can show he can pay it back?

THE CHAIRMAN: He pays no interest?

THE WITNESS: No.

BY MR. PARKER:

Q. You have this man's money? A. Yes.

Q. He comes and wishes to borrow half of it and you sat, "Yes; you can have half of it provided you can give me a satisfactory guarantee that you will pay it back."
A. Within four months.

Q. He has to pay it back? A. Yes, and we assign his reserve to the association during that period.

THE CHAIRMAN: And he is borrowing his own money?

THE WITNESS: Yes.

BY MR. PARKER:

Q. And on certain terms he must pay it back? A. Yes.

Q. That is the way; and there is no interest?
A. No. There are expenses relevant to the loan.

Q. What kind of expenses could be incurred when a man comes and says, "Please let me have half of the money that is mine?" A. In that case there would be no expense, but there are times when we do incur some expense.

Q. Is that charged against the individual borrowing?
A. Yes.

Q. On page eight you give an example of how that system

works out. You say: "An outstanding example, in the Association's case, of how its members were assisted in a year of disaster may be found in what occurred in 1937, which was a year of total crop failure in most areas in Saskatchewan. In that year more than \$50,000 was used by the Association to purchase feed supplies for its members." I must beg your pardon. I used the word "returned" just before we adjourned. I inadvertently used that word, whereas the word in your brief was given. A. Yes.

Q. I suggested that it would be better to use some other expression. I did not mean to confuse you on that. A. I understand.

Q. It is in the middle of page seven. A. Yes.

Q. To come back to this \$50,000. In that year more than \$50,000, you say, was used by the Association to purchase feed supplies for its members. "The feed thus made available to dairy farmers who were members of the Association resulted not only in keeping their herds intact at a time when valuable foundation dairy stock all over the province was going to the block for practically nothing," and so on. Do you buy that as and when ordered by each person who needs the feed, or in this case did you make a lump sum purchase, having estimated you would require that much? A. In 1937 we had a disaster as far as crop conditions in Saskatchewan were concerned and the members were faced with no alternative but to dispose of their herds unless supplies of feed were found by somebody, the Government or somebody else. We decided that in order to keep up the volume of butter fat to a reasonably normal level it would be necessary for us to do the job ourselves rather than rely on the possible rationing of supplies which might be forthcoming from some Government agency or other source

which would just keep the cow alive. We therefore decided to survey the situation of our members. We got from them the approximate amount of necessary grain as well as feed for their herds and proceeded then to purchase on their behalf.

Q. To that extent you departed from the strictly producer cooperative principle and went into the supply type of cooperative, buying supplies for them? A. I think that is rather technical, but you may be right.

Q. At any rate, you bought the feed and sold it to them? A. Yes.

Q. Did you sell it to them at a profit? A. It cost less. We had two men in the field and we paid their expenses.

Q. Indirectly, at any rate, that resulted in increasing your earnings, your net worth? A. No sir; it did not.

Q. At least it avoided shrinkage? A. Yes; that is correct.

Q. That is as far as it goes? A. Yes, very definitely.

Q. Now, Mr. Gooding, on the last occasion you were here there was some discussion about accounts.

BY MR. ELLIOTT:

Q. May I interrupt for a moment. This is not with regard to the account. Your association was formed in 1927? A. Yes.

Q. How was it financed at the start? A. We chipped in \$10 apiece, two hundred milk producers, and hence the membership fee has always been recognized as \$10 in the milk shippers section. On that \$10 we kept going, but we decided that we would need capital of some kind and we agreed, the two hundred of us, to abide by the terms of the

contract whereby the directors had the right to deduct from the average price obtained for two weeks for the product up to 10 per cent as a reserve which would be recognized as capital moneys.

Q. Belonging to the association? A. No, credited to each member. With those moneys we started.

Q. Did you borrow from the bank? A. In the early days? Yes.

Q. On what security? A. That is a tough one; not very much security of any kind.

THE CHAIRMAN: The personal guarantee of the directors?

THE WITNESS: Yes. It was a very small loan.

BY MR. ELLIOTT:

Q. But there was a personal guarantee? A. Yes.

Q. Have there been important changes in your by-laws or contracts since 1927? A. I don't think there has been any fundamental change in the by-laws.

Q. Have you ever had a deficit on any year's operations? Have you ever overpaid? A. Yes.

Q. What happens then? A. It reduces the amount of earning which already has been credited in the pass book.

Q. In proportion to the member's deliveries in that year? A. Yes.

Q. Suppose a member has just begun delivering and has not enough in his pass book, what happens then? A. If we overpay?

Q. If, in a year in which you overpay, the member has just begun delivering and has not a large enough credit in his pass book from the preceding year to take care of his overpayment. Does that ever happen? A. No. The first year was rather a tough one but outside that we have made steady progress. The responsibility of the member is just his own quota.

Q. You would not try to collect back from him anything except what is entered in his pass book? A. Yes, that is right.

Q. Do you handle poultry? A. No.

Q. Have you an interest in any such concern?

A. We are managers of the Saskatchewan Poultry Pool.

Q. You are managers? A. Yes.

Q. Tell us what that means exactly. A. Just that. We have been appointed manager for the Saskatchewan Pool.

Q. Who appointed you? A. The directors of the Poultry Pool.

Q. Do you derive any income from that, you or your members? A. Yes. The Poultry Pool pay the Dairy Pool on a certain basis of remuneration for services rendered.

Q. That is, management services? A. Yes, and that money is used to defray the expenses of the Dairy Pool.

Q. About what sum does that come to a year? A. It is based on poundage, a dozen to the unit, a quarter of a cent a pound -- a quarter of a cent a dozen with certain limitations, minimum and maximum.

Q. And the members of the Dairy Pool get the benefit? A. Yes; their expenses are being defrayed to that extent.

Q. When a member terminates his contract with you -- I am thinking of the milk shipper -- what is your procedure? He gives you three months' notice and what happens?

A. The application for termination of contract is placed before the directors and in every case so far it has been passed and the money then is paid out under the revolving door plan.

Q. He waits until the door revolves? A. Yes, that is right.

Q. You said in answer to some questions asked by Mr. Vaughan and myself that the members do secure a financial advantage from allowing their funds to remain in your hands for six or eight years. Do you remember that?

A. Yes.

Q. You are still of that opinion? A. Yes.

Q. You state in your brief that the payments to members, the final payments to members, are subject to income tax? A. Yes; it is in the pass book.

Q. That is at the time the payment is actually made to the members? A. Yes.

Q. And not at the time it is entered in the pass book? A. That is correct.

Q. Your members, then, derive some little advantage by having these funds working for them as it were between the time the funds are credited to them and the time they have to pay tax on them. In the ordinary course of events, if a person gets income he pays income tax in that year and he would not have as much left to invest. Your members are credited with the amount in the pass book and leave it there and do not pay taxes on it until it is paid out. That is an advantage? A. That is what I said. It is hard to answer in a tangible way the question as to the advantage of the member in leaving his money.

Q. Do you think this is an advantage? A. I doubt that, because after all we know what the income tax will be when the money is paid out.

Q. One other question. Why have you a contract with milk producers and not with cream or cheese milk shippers? A. Because the milk shipper's contract was the original method whereby we agreed among ourselves, the two hundred of us, to market our own products ourselves cooperatively; and

the most important of all is the agreement to the deduction which the directors have the right to make from the milk check, up to 10 per cent. Then, as the organization grew and funds were available whereby new capital -- which is still coming into the organization under that contract -- is of such a nature that the contract was not necessary, then we transferred it to the membership basis, that is, the associate participating member basis.

Q. Do you accept milk for fluid milk purposes from members who have not signed the contract? A. Yes.

BY MR. ARNASON:

Q. I want to ask a question which is to some extent hypothetical, but it has been referred to at one or two public hearings which have been held hitherto. It is this: What would be your opinion about a plan whereby joint stock companies might be allowed to distribute a portion of their earnings among their customers on a patronage basis which would thereby be taxable only in the hands of the individual? Do you think it is difficult to answer that question?

A. I think it is quite fundamental. You said, a portion of their earnings?

Q. Yes. Suppose they were permitted to do so under existing legislation? A. The fundamental difference between the situation suggested by that hypothetical question of yours and our form of operation is that we credit all the earnings and not a portion.

Q. Would you have any objection? A. It is doubtful whether you could class them as cooperatives if they definitely decided to credit only a portion of the owner's earnings.

BY MR. ELLIOTT:

Q. Would you have any objection to their being free of

tax on that portion which they might so distribute?

A. You mean a patronage dividend?

Q. What the ordinary company might pay. A. That is taxable. May I make this statement. We hope we shall be sufficiently magnanimous at all times not to worry too much as to what the other fellow is doing as long as we take care of our own backyard.

BY MR. NADEAU:

Q. Have you any competitors in your area? A. Yes.

Q. Any cooperative creamery operating there?

A. It is doubtful whether it is a cooperative. We have an organization known as a cooperative, but whether it is cooperative or not I would not like to say.

Q. You do not know whether it is cooperative or not?

A. No; I could not answer that authoritatively.

Q. Does it use the word cooperative? A. Yes.

Q. Have you any idea of the extent of the business done in your area by private or independent competitors?

A. No.

Q. Compared to your business? A. This is just an estimate. I would say that possibly we do 70 or 75 per cent, but that is an estimate.

Q. Besides that, do you still retain the firm names of the going concerns that you bought? A. No.

Q. Do you own any subsidiaries? A. No.

Q. Have you any interest in other cooperatives?

A. No.

Q. Do you own any shares in the Federated Saskatchewan Co-operatives? A. The Saskatchewan Wholesale?

Q. Yes. A. Yes; we have an earning there. It has been built up under credit. We have an earning.

Q. Is it a big earning? A. I think it is fairly substantial. We do some business with the Federated Cooperatives in the purchase of coal and so on for our creameries. It is not large.

Q. Is your dairy pool represented on the Board of Directors? A. No.

BY MR. VAUGHAN:

Q. In the purchase of supplies -- the point was referred to a little while ago -- does a large portion of that consist of gasoline for your trucks? A. No sir. It is a sizable amount, however. Do you mean the percentage of the total of our supplies?

Q. Would it be a large factor in your costs? You deliver from door to door? A. Yes. It is one of our large purchases.

Q. Have you any idea how many gallons you purchase in a year? A. No sir, I am sorry. I will send it to you.

Q. Where do you buy that gasoline? A. From the trade.

Q. You don't buy it from the cooperative refineries? A. Not directly, no. There are some cooperative filling stations we deal with depending on where they are.

Q. What price do you pay for the gasoline you buy from the trade? A. We do not buy from the refinery direct.

Q. Do you know their price? A. I cannot say I do. Owing to the nature of our business we have to deal with certain filling stations, not one central filling station. Our trucks are not all located at one point. Our gas is purchased locally from the local dealer, which may be a cooperative or may not be.

Q. You do not purchase gas in bulk? A. No sir.

Q. Just in carloads? A. Yes.

Q. In buying in bulk, what is the price of gasoline from the independents as compared with the price of the refineries? A. I could not answer that.

BY MR. PARKER:

Q. There is certain information which we wanted from your books and which I understood you were going to get for us. Have you got it? A. Yes.

Q. This statement you have here consists of three sheets headed, first, Operating Results, secondly, Net Worth, and thirdly, Balance Sheets, referred to as Exhibits A, B, and C, respectively. These are figures taken from your books? A. Off the auditor's statement, the auditor's report.

Q. It is information you thought would be helpful to the Commission. Let us see what they are. The first shows, from 1938 to 1943, the cost of material, manufacturing and operating expenses; then the net sales, which exceed cost; and then you have a margin, what we might call profit or increase. You call it margin, whatever that means. In the next column you have production, selling and administration expenses and you subtract those from the margin and you have what you style net proceeds? A. Yes.

Q. You have given us that without breaking it down into items. That is the first page. The second sheet, "Net Worth", shows the balance of net worth starting at 1938. These are some of the figures you have already read into the record this morning? A. Yes.

Q. Starting with \$194,000 in 1938 and ending with \$545,000 in 1943, and you add to that unofficial figures for 1944? A. Yes.

Q. Then you subtract from that balance the amount

returned to members, and you add to that deductions from members. What is that? A. Deductions from members?

Q. Yes. A. That is the 5 per cent reserve from milk shipper price.

Q. That is not included in the net worth figures? A. Yes; we pay that back too.

Q. The third sheet, the balance sheet, shows the same years from 1938 to 1943 giving current assets, fixed assets and total assets, then liabilities and net worth. This should correspond to the net worth on the other? A. Yes.

Q. I would like to have the accountant advise me if this is sufficient information. I do not pretend to be skilful with this type of statement myself. I would suggest, unless you feel otherwise, Mr. Chairman, that is probably all the data we need from this company's affairs at the present time. If later on further details are required, Mr. Gooding, I have no doubt, will furnish them to us. A. I shall be happy to do so.

BY MR. ELLIOTT:

Q. With regard to that \$801,000 figure for 1944, does that correspond to the balance at the beginning of the year? A. Yes.

Q. To make it correspond with these other figures you would have to subtract what was returned to members? A. Yes.

MR. PARKER: There are some other parties who may be interested. Have you any objection to their having that?

THE WITNESS: That is our own statement.

BY MR. PARKER:

Q. You have no objection to my giving a copy to these

gentlemen? A. I would like to make a statement first. The statement, Mr. Chairman, is this. First, a committee of our directors decided that we would accept your invitation to submit a brief before this Commission and we did so on this basis. It may be that our interpretation of the scope of the Commission's inquiry was wrong, but we accepted the invitation on the assumption that the Commission was trying to investigate the cooperatives' set-ups throughout the country in order to determine whether or not the various cooperatives were operating under their respective acts of incorporation. We think it only fair and right that we should invite any criticism or suggestions you may have to make as to the way we have operated the organization since its inception, and therefore we submitted a brief in the belief that it would be helpful to you in determining whether or not we had done what we were supposed to do. We offered the brief in the hope that it would be helpful to some extent in your efforts to solve the problem confronting you.

We did not submit the brief, however, in order that our competitors might have an opportunity of delving into our affairs. You can see, as I said to you the other night, that it would be embarrassing to the directors, after they have interpreted the objects of this Commission in one way, as I have tried to outline, to be told that their duty is so and so. It is rather conflicting and therefore I discussed with my Vice-President and one director unofficially yesterday for a few minutes the question of disclosing this information, and we have no hesitation in saying that we do not wish to have this information given to the private trade, to our competitors, unless of course you so decide. And if you do so decide, then naturally we shall expect the

same information from our competitors. However, we leave that up to you.

There is, however, one angle I would like to mention. The reports concerning the Commission which we hear over the radio and read in the press do not tell the dairy pool story and I wonder if I could have your permission for two minutes to tell you just why we believe the press has not told our story.

One impression that is very prevalent is that co-operatives are becoming monopolistic in type, and that we are fast moving away from the original intention of the movement and becoming monopolistic. May I file this report with you, because we are interested, if it is of value to you, in your knowing something about the philosophy of our own organization. While we have operated very carefully under the act of incorporation, we believe we have operated as a self-help organization and we like to think that we have done the job fairly well. We do not want to be classed as irresponsible citizens. We do not want the press or anyone else to have the opinion that we are trying to evade our just responsibilities as citizens of this country. If therefore the Government have a problem on their hands we are prepared to do what we can to help them solve it. That is our objective.

We do not want to defend for ourselves any special privilege, as we are being accused today of doing. I would like therefore to read to you something from the report which was read at our last annual meeting -- and I could submit many others that have been made during the eighteen years of our history.

MR. MILLIKEN: Will you tell the Commission whose report it is?

THE WITNESS: It is my report, submitted at the eighteenth annual meeting of the Dairy Co-operative Marketing Association Limited, read to the directors. It reflects the attitude of the directors. I quote from pages seven and nine the following paragraphs:

"The gospel of centralization is not new. It has found its expression in the past in the growth of the great trusts and monopolies, sometimes international in character. These trusts and monopolies attained great power -- none of the people whose lives they affected had any control over them, and they have been blamed, with sound reason, for many of the evils of modern times; depressions, want, starvation, unemployment and war.

"It is a law as irresistible as the law of gravitation that the more centralization we have, the narrower become the bounds in which the individual can move.

"The producer cooperatives were started in this country largely to combat these monopolies and to place control of production and marketing back in the hands of the people to whom it belonged.

"But even within the cooperatives in the past few years we have seen signs of the same trend -- worship of size and a tendency to ignore the basis of cooperative philosophy which is control by the members whom the co-operative serves.

"Cooperatives must work together but that does not mean that they must sink their identity in one super co-operative. We believe that there are definite limits on the size of cooperatives if they are to be controlled by the members they serve. That has been our policy and we hope that the members will continue to hold to this belief in spite of popular trends."

BY MR. PARKER:

Q. Do you wish to file the full report? A. Yes.

MR. PARKER: In order that everyone may be happy, I give way now to a gentleman who, I believe, wishes to ask you a few questions.

THE WITNESS: I have made my position clear. If Mr. Grosch wishes, he can have a copy of the statement.. I would rather he did have it.

MR. GROSCH: In the first instance it was Counsel for the Commission who asked for the statements. I did not ask for them.

THE CHAIRMAN: I believe you asked for them the other day.

MR. GROSCH: I asked for the exhibits which I had not received, the exhibits to the brief. In any event, we are here to assist the Commission in coming to a conclusion. We are not here as snoopers to find out what our competitor is doing.

THE CHAIRMAN: I do not think there is any such suggestion.

MR. GROSCH: As long as the Commission has the information, I am free to say we do not wish to look into it at all.

THE CHAIRMAN: That is very fair, Mr. Grosch. Mr. Milliken, have you any questions? You are representing Mr. Gooding? If you have not, then Mr. Grosch will examine him.

BY MR. MILLIKEN:

Q. I would like to ask you, Mr. Gooding, one or two questions revolving around the question asked by Mr. Parker, which is of great interest to the Commission, and that is how far a producer can go, or whether he can go any distance

at all, in what is called processing his product, and still be within the definition of a cooperative. Mr. Parker suggested -- I am not saying that there is anything wrong about his question, because this is a difficult matter to determine -- that perhaps the Dairy Pool was doing something more than selling the produce of its members if it engaged in the making of butter. I wish to ask you a question or two along that line. In the sale of milk, you are not allowed, are you, to take raw milk? As a matter of fact I saw it done in England in 1937, but you cannot take milk around in Saskatchewan in tin cans?

A. No; it must be pasteurized.

Q. And bottled? A. Yes.

Q. So that if you are to take the members' product -- speaking of milk -- and sell it, you have to do some kind of processing or manufacturing, however you wish to describe it, before you can dispose of it? A. Yes.

THE CHAIRMAN: Is pasteurization regarded as processing?

MR. MILLIKEN: As a matter of fact, sir, that is the first step.

MR. PARKER: The thin end of the wedge.

BY MR. MILLIKEN:

Q. I assume the same applies to cream. You are not allowed to sell raw cream? A. That is right.

Q. So that when you take cream from your members, if you do not turn it into butter or some other processed commodity, you cannot market it at all? A. That is right.

Q. Unless you sold it to someone who would turn it into butter? A. That is right.

MR. MILLIKEN: That will be one of the difficult

questions for the Commission to determine -- at what stage in the handling of the product the cooperative ceases to be a cooperative -- and it is also one of the most difficult questions which the organizations themselves are facing. They hope your Commission will give an answer, Mr. Chairman.

MR. CHAIRMAN: That is, how far up the line they may go.

MR. MILLIKEN: Yes, before they have to stop and someone else takes over.

BY MR. MILLIKEN:

Q. Mr. Parker was asking you why you expected the borrower to whom you lent money to return it to you. The obvious answer would be, I suppose, that if you did not it would be a very simple way of blocking the revolving door altogether? A. Yes.

Q. I take it, from the excerpts which you read a moment ago from your address and which you have filed with the Commission, that you are in favour of having competition -- that is, you are in favour of your cooperative having competition from any other business.

A. Very definitely.

MR. MILLIKEN: Unless something comes out of the examination by Mr. Grosch, that is all I wish to ask.

BY MR. GROSCH:

Q. On page two of your brief, in sub-clause 3, you say that in making payments to the members you make "a final payment when the product has been ultimately disposed of." I wish to call that to your attention and then refer you to page six of the brief where you say you allocate to each member a certain amount -- that is line two -- and then in line five --

A. I don't see the first one.

Q. You say: "Part of the sum due to each member already has been paid out as an initial payment at the time the product was delivered. The remainder stands to his credit." I want to give you an opportunity to correct these statements if you wish. A. You are referring to page six and what line?

Q. In line two you use the word allocate.

MR. PARKER: It is line one.

MR. GROSCH: No, line two. It is the word allocate; and in line five there is this statement: "The remainder stands to his credit."

THE WITNESS: Yes.

BY MR. GROSCH:

Q. Then in the last paragraph but one on page six you say: ".....payments may be delayed at the discretion of the board of directors....."; then on page seven, in the second paragraph ".....the distribution of final payments to members has been delayed....." and so on. Do you want to change that -- it seems to be inconsistent and I thought I would point it out -- or do you wish to have it stand? In one place you have these words "a final payment when the product has been ultimately disposed of" and later on you say it is placed to his credit and stands until the door revolves six or seven years. Which is the correct statement?

THE CHAIRMAN: Do you not think that is a rather complicated question to put to the witness and ask him to answer it at once? He would have to compare the references in order to decide. However, he may be able to reply.

THE WITNESS: I tried to cover it this morning. I cannot suggest any alteration.

MR. GROSCH: I am prepared to let it stand as it is. I simply wish to point out the inconsistency.

THE CHAIRMAN: If you desire at any time to consider that question you are entitled to.

THE WITNESS: The brief may be a little inconsistent. I tried to explain that it is a layman's brief. We were trying to help the Commission, and we do not pretend for a moment that it is a legal document or anything of that kind. It is our own phrasing adopted in my office and as such I hope you will accept it.

BY MR. GROSCH:

Q. In your brief you say that you manufacture butter, cheese and dried milk powder. I understand you also manufacture a form of cheese similar to Kraft cheese? A. Yes, processed.

Q. Processed cheese we will call it? A. Yes.

Q. Then you state as well that you have acquired other properties. You acquired the Prince Albert Creamery Company Limited. In view of information given the Commission in reply to questions asked either by members of the Commission or by Counsel, I will limit myself to just a few points. You say the value was arrived at and the price determined by two factors: the value of the physical assets and on the basis of return; and the two practically correspond. Am I right? I understood that was your answer. A. Approximately, yes.

Q. That is, you looked into the financial statements of Prince Albert Creameries and they showed a return to them which satisfied you that it was a good concern?

A. That is right.

Q. In that return of Prince Albert Creameries there must have been an item in the expense account covering certain

amounts paid in taxes? A. I don't know; I did not see the statement.

Q. They were an individual operator? A. Yes.

Q. May we not assume that? A. They were.

Q. Therefore when you took them over you immediately claimed exemption from taxation? A. No, we have not.

Q. But you have not put in any income tax returns?
A. No.

Q. And you have had them how many years? A. We have never received any income tax forms; we were never asked to return any.

Q. You never put any returns in for your Association?
A. That is right.

Q. And it has now absorbed Prince Albert Creameries?
A. Yes.

Q. And therefore the Prince Albert, which was formerly paying income tax, does not now pay such taxes? A. I would assume they were paying income tax, but I don't know.

Q. They were a limited company? A. Yes.

Q. Therefore, as assets to be purchased, they would have more value to you, who are tax-exempt, than to anybody else who is not tax exempt. The returns would be greater, would they not? A. You want me to answer that?

Q. Yes, please. A. The answer is definitely that that is not entirely true. It is a sort of half truth.

Q. Well, finish the other half. A. The other half is this, that we have been asked by some independent firm to discuss and determine whether or not we would be interested in the purchase of their assets and we have said, "No; we are not interested in the price you mention." Independent dealers offered to purchase the business.

Q. That may be; but as far as the Prince Albert is concerned you have told us that while it was operating as a privately owned or joint stock company it showed in its returns that it had made satisfactory profits, and that included taxation under the Dominion Acts. Now you have taken them over and you have not paid taxes on that property since? A. That is correct.

Q. Therefore the returns would be so much greater, at least by reason of that one item -- if the efficiency were the same -- for you. Isn't that right? Isn't that ordinary arithmetic? A. Yes.

Q. You include an item in the expense account, taxes of the Dominion Government, \$50,000 which is not in your account. That is an expense for them but not for you. Therefore, as a going concern to be operated by you, there was a double incentive for you to acquire them?

A. I can't follow what your motive is, or why you are blaming us.

Q. I am not blaming you for anything. You were very shrewd, Mr. Gooding.

MR. PARKER: Perhaps we had better have an understanding here. My learned friend has the right to question the witness, but not to make a series of pronouncements which may or may not be helpful to the Commission.

THE CHAIRMAN: I must say that questions asked before the Commission have not all been entirely legal.

MR. GROSCH: My learned friend has given one example of leading a witness.

MR. MILLIKEN: I take it this is not a court and we are not supposed to be examining or cross-examining witnesses, but merely to be asking questions to elicit information that may be of assistance to the Commission.

If we can assist a witness by giving him an idea of what we are trying to get at we are helping the Commission in the shortest way possible.

THE CHAIRMAN: We can save a lot of time.

THE WITNESS: In other words, I am not a prisoner.

MR. GROSCH: No, even if you are in the box.

THE WITNESS: So long as it is not the dog house. I would like to answer your question, Mr. Grosch. You say that the dairy pool does not pay income tax, or that its members do not.

BY MR. GROSCH:

Q. No. I said that you as an Association did not put in any income tax returns. A. But the members of it do.

Q. We will come to that later. Take this pass book and the revolving door method. You enter credits from year to year in this pass book but the door, revolving, opens only in the ninth year or the seventh year, and only when it opens do the members receive the money. Therefore in the interval those credits are not receipts to your patrons. And you state that there is no income tax in the meantime, when they have not received it? A. That is right.

Q. There is no income tax while their account is accumulating, and until the door opens in the seventh or ninth year they do not receive it, and then they put it in their income tax returns. You pay no interest on that money, therefore there is no credit for interest in the book, although to be fair you state that the amount of credits would be greater because you have not paid interest. On the other hand, if you borrowed money from anybody else, a loaning institution, you would pay interest and your returns would be that much less, and the company that

loaned the money would have to pay income tax on the interest they received from you? That is right?

A. That is right.

Q. So that the revenue department is out both ways?

A. No, I don't think that is correct. I am not here to argue about it, but I don't think that is correct.

Q. Well, then, let us develop it. The revenue department gets nothing for six or eight years because you have the use of that money free of interest? A. Yes. The revenue department does not get the use of any money from any company until it becomes taxable.

Q. That is exactly my point, and it does not become taxable until the sixth or the eighth year as the case may be. A. It is capital and capital is not taxable. It is income that is taxable.

Q. So the allotment or credit is not really an earning or profit? A. That is right.

Q. It is capital, under the control of the directors? A. That is right.

Q. Because you state that you make loans but only under the authority of the directors. A. That is right.

Q. You say that this is the patron's money but he cannot get it without the directors passing upon it?

A. The members and the directors see to it, sir.

Q. But there is a discretion with the directors. That is where the authority lies, is it not, with the directors? A. Is it a sin to have the directors guide the business for a firm?

Q. I am not talking about sins; I am asking you what you do. You do that, don't you? A. Of course, the directors have their duties to perform the same as in any other business.

Q. The same as in any other business; that is right?

A. Yes.

Q. But when I get a dividend from a limited liability company it is income. A. Yes.

Q. And I pay taxes on it? A. Yes.

Q. Whereas when you make a credit entry in this book you say it is working capital and there is no income tax?

A. That is right.

Q. Because of your privileged position? A. A private company does not distribute all its profits to its patrons or shareholders. The directors have the power to decide on behalf of the shareholders whether the dividend shall be 2 per cent or 5 per cent or what not. But that does not mean that that is the total earning of the company for that year.

Q. I have no quarrel with you on that, but once the dividend is declared it is the property of the individual?

A. So is ours the moment it becomes --

Q. Wait a minute now. At the beginning of the year you as a Board of Directors determine that so much shall go into these different books. Isn't that equivalent to the declaration of a dividend? A. No, definitely not.

Q. What is it then? A. We have directors who determine for us how much shall go into the pass books.

Q. The directors determine it and we are never called in. None of us have had that privilege. A. No, no. I am sorry I cannot agree with you there. Suppose the Borden Dairies had put up the price: that determines what goes into the pass book if we wish to follow it -- if we decide to accept it as the initial price.

Q. So the price that we fix -- A. You don't fix anything.

Q. Oh, allow us to do some little thing, won't you? The price that we fix determines what goes into the pass book? A. The current market price, the current initial payment certainly does, very definitely; and the trade generally is a factor.

Q. In the pass book you have a note reminding all members that refunds, etc. "are part of the year's income and must be reported on your income tax returns." Is that the credit that is in the pass book? A. No, the amount of money we pay out.

Q. In the seventh or ninth year? A. Yes.

Q. And in the interval there is no income tax return? A. No.

Q. A little further with respect to the revolving door. In 1944 you have an estimated surplus of about \$255,000 -- the difference between \$545,855.01 and \$801,000? A. There is something wrong with those figures.

Q. They are your figures; I am only subtracting. A. There is something wrong with them but I prefer not to go into that. You can explain it when going into our figures.

Q. I like it in concrete form. A. I know you do.

Q. When this door revolves six years from now, and eight years from now, you turn out in cash the amount earned in 1944. It has been your biggest year. A. This year?

Q. Yes. A. Of course, there is something wrong with those figures.

Q. I am not particular about the year, but it is a little over a quarter of a million according to these figures. When the door revolves and you pay out that amount, that year may be a lean year. A. Yes.

Q. And suppose you earn only a tenth of that. Where do

you get the balance to pay it? A. From the reserve.

Q. The reserve? A. Sure.

Q. You cannot take it out of the reserve; you have only \$50,000. A. Yes; but we have six years.

Q. Do you charge it back to them in the pass book? A. Certainly.

Q. That is by authority of the directors? A. What do you mean, charge? The moneys that are credited in the pass book are in a liquid position and are able to be paid regardless of what we earn in the future.

Q. But if you had a number of lean years it could all be wiped out. A. Yes, that is right, and we would go broke and would be very vulnerable.

Q. If in the course of these recent years in which, no doubt owing to war conditions, the returns are large, you are accumulating large amounts and putting them in the pass book, do you not think that you may then run into a period of lean years, which we might call normal years, when you have to pay these large amounts, and you will have lean years in which to pay them out. A. But we have that revenue.

Q. Surely. But what I am getting at is that, if you had a continued period of lean years, the time might come when that would be all wiped out. A. Yes, that is correct. But what about it? That is the point.

Q. The Commission is asking for information and I am pointing it out. You bought a creamery at Young in 1943. What did you pay for Prince Albert? A. I am sorry; I could not divulge that.

THE CHAIRMAN: That is not of interest to the Commission.

MR. GROSCH: It is, in this respect. I would suggest a figure, but I want to show that much of the assets has gone into the acquisition of other creameries.

THE CHAIRMAN: I do not think you would be justified in opening up that line of examination.

BY MR. GROSCH:

Q. The trend, however, is that the last three or four years have been abnormal years as far as revenue return is concerned -- the war years? A. Yes, the war years. That is only relatively true.

Q. I am talking relatively. A. No. You are talking in terms of trends, and our greatest development took place from the day we started until the year 1937, the first ten years, relatively, though it is true that we have earned more dollars and the volume has been greater in the war years. That is right.

Q. The income tax deals with dollars and that is what I am trying to get at, and our complaint is that you are allowed to keep those dollars and we are not. A. Yes.

Q. I think you said that the company manages the Saskatchewan pool? A. Yes.

Q. And you get management fees? A. The Dairy Pool gets the management fees.

Q. I was going to ask you what that remuneration amounts to. A. I am sorry.

Q. I will refrain from that. But that goes into your revenue? A. Yes.

Q. And that helps to make up the revenue distributed to the patrons? A. Yes.

Q. I suppose you do advertising? In the case of the individual companies, the Inspector of Income Tax looks over their statements and if he sees an item for advertising that is too high he cuts it down frequently. You have no such experience? A. No.

Q. You are free from that altogether? A. Yes.

Q. I have been able to get a copy of the producers contract. That is signed by the participating members, I assume? A. Yes.

Q. You say you have 12,000? A. No, 250. That is the milk producer section.

Q. You have both a milk shipper section and a cream shipper section? A. Yes, but we don't use the cream shipper section.

Q. You don't use a contract for cream shippers? A. No. We use a membership certificate.

Q. You use this contract for the milk shippers only? A. Yes.

Q. And there are only -- A. 250 odd.

Q. Are they the originals? A. I am sorry to say some of them have left us.

Q. But for the most part the originals are in? A. Yes.

Q. With respect to them clause 3 provides that they consign and deliver all dairy products to the Association?

MR. PARKER: Are you reading from the brief?

BY MR. GROSCH:

Q. No, the producers contract. And clause 4 states that the producer agrees not to sell to any other person other than through the Association. He is tied to the Association; that is his one outlet for his product?

A. Yes.

Q. No other? A. No other.

Q. And that feature is compulsory? A. Yes. All he has to do is to give notice if he doesn't like it.

Q. Then he ceases to be a member? A. Yes.

Q. And when he ceases to be a member, if he has credits in the pass book what happens? A. It is gone,

if he does not continue to produce.

Q. And the effect has been to hold him pretty well?

A. No. He has been very happy to come and join us.

Q. He has not gone out? A. No.

Q. He has never left you? A. No; we never had one leave. We have had the odd cancellation due to going away.

Q. Clause 6 provides that the producer agrees to pay the Association for dairy products not delivered--that is, in case he should not deliver to the Association--at the rate of \$20 per cow kept by the producer in the cream section, and \$10 per cow kept by the producer in the milk section. A. There may be lots in the contract I am not familiar with; it is eighteen years ago. But we never use it. There are all kinds of clauses in the contract we never use.

Q. It is just a scrap of paper? A. Yes.

MR. PARKER: In this contract certain parts are struck out when dealing with cream and certain parts when dealing with milk. The part my learned friend is referring to would be struck out of the milk contract.

MR. GROSCH: Mr. Gooding says it is not enforced. I do not want to misrepresent anything. Does it still apply to the milk shippers?

THE WITNESS: The contract?

MR. GROSCH: Yes.

THE WITNESS: That is right.

MR. GROSCH: I will limit myself to the milk shipper if there is any objection.

MR. PARKER: I am not objecting to anything, but questions should be so put that the witness can understand them.

BY MR. GROSCH:

Q. He is liable to pay \$10 per cow that he keeps if he does not sell his milk to your Association? A. May I take a look at the contract? It is many years ago since I saw it.

Q. I want to keep this one though; I had an awful job getting it. How many cows on an average does the milk producer keep? A. I could not answer that -- from ten to sixty. Not many have sixty; that would be a large herd.

Q. Clause 7 provides that there shall be an injunction in case of a breach of contract. An injunction is an extraordinary remedy. A. I don't see what the point is. In the year 1927 we followed certain cooperative practices that were in vogue at that time, but the real essence of the contract was that we agreed to be loyal to one another during the life of the contract.

THE CHAIRMAN: Have you departed from those objects? That is what Mr. Grosch is getting at.

THE WITNESS: We never put these rules and regulations into practice.

THE CHAIRMAN: What was the use of the contract?

THE WITNESS: I must frankly admit it is a very technical and legal document. The only part of the contract that we have recognized since the early inception of the organization is that we accept the \$10 membership and are prepared to have deducted from the average price up to 10 per cent. Five per cent has been the amount and we have never varied it.

BY MR. GROSCH:

Q. It is a renewing contract from year to year?
A. Yes.

Q. You have about 250 members? A. Yes.

Q. That is, fluid milk producers? A. Yes.

BY MR. ARNASON:

Q. Has the Association ever taken legal steps against any producers to enforce the contract? A. No.

THE CHAIRMAN: What is the value of the contract? Is it, as you said a moment ago, a scrap of paper?

THE WITNESS: No; I would not say that. We recognize it as a membership, with the right to deduct 5 per cent of the average price of milk.

THE CHAIRMAN: I do not suppose you meant that you would use parts of the contract when it suited your purpose and not at other times?

THE WITNESS: We have never enforced the contract.

BY MR. GROSCH:

Q. The part of the contract that permits you to deduct 5 per cent is enforced? A. Yes.

MR. GROSCH: Pardon me. According to the contract it is 10 per cent -- "may deduct a sum not exceeding 10 per cent."

The Commission adjourned at 2.15 p.m.

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The Commission resumed at 2.15 p.m.

BY MR. GROSCH:

Q. Mr. Gooding, in Saskatoon you operate the head office of the dairy pool? A. Yes.

Q. I understand you do not distribute milk in the ordinary sense to the man in the street? A. No, wholesale.

Q. You wholesale it to whom? A. Retail distributors.

Q. Then they distribute the fluid milk. Do they all distribute? A. Yes.

Q. They buy their supplies from you? A. Yes.

Q. Am I correct in saying that no fluid milk is bought by them directly from the producer? A. No. One concern has some producers of its own.

Q. That is all? A. Yes.

Q. Have the other Saskatchewan cooperatives any people delivering cream directly? A. For butter-making purposes?

Q. No, just cream. A. No; they buy their entire supply from us.

Q. Do they have cream for butter-making purposes delivered to them direct? A. Yes.

Q. You of course have producers? A. Yes.

Q. Have they any producers? A. Yes, cream producers.

Q. But in their organization have they provision for producers? A. I would prefer not to interfere in the lives of others.

Q. But you have a great deal of knowledge which would be valuable to the Commission and I would be glad to have that information. A. I just don't know how their membership stands; whether they have membership or not I could not say. They get shipments direct from the producers, the cream producers.

Q. We will call them dairy farmers. Would that be more correct? A. Yes. They get shipments direct from dairy farmers. What their standing towards the organization or firm is I don't know.

Q. Do they pay anything back to these dairy farmers

other than the initial payment? A. I don't think so. That is just a guess. After all, it is not my business.

Q. No. But there are two cooperatives operating in that area in the Saskatoon district -- so-called co-operatives? A. Well, I would not say two so-called cooperatives. We claim sincerely, Mr. Grosch, that we are a cooperative. The officials will tell you the standing of that organization.

Q. I am in the unfortunate position of not seeing any of them around. A. That is not my fault.

Q. Anyway, I am grateful that you are here. We are getting a lot of information that will be helpful to the Commission. Are there any other points in which you compete with another so-called cooperative, or a cooperative?

A. No. The Co-operative Creameries would be the only competitor we have in our territory, if you recognize Co-operative Creameries as a competitor.

Q. They use the name Co-operative? A. Yes.

Q. Are they in Prince Albert? A. No.

Q. In Melfort? A. Yes. We compete there.

Q. Let us come back to the pass book. May I ask one more question. Do you know whether Saskatchewan Co-operative Creameries operating in the Saskatoon area have signed up anybody as producer? A. No.

Q. You know none? A. Not that I know of.

Q. In what form are the assets of the Association -- in cash? A. Not all, oh no.

Q. Part in cash? A. Yes.

Q. Part in bonds? A. Oh yes.

Q. Victory bonds? A. Yes, some.

Q. They are liquid investments? A. Yes.

Q. Are any of them in your fixed assets? A. Yes.

Q. Does this represent the total assets of the company?

A. Yes.

Q. There are no other assets in the nature of fixed assets or otherwise? A. That is correct.

Q. Except the fees? A. The membership fees, yes; that is very small.

Q. Is there any other amount that enters into the assets that I have not mentioned? I have mentioned cash and bonds. A. Yes.

Q. And your own property. A. Yes.

Q. Have you shares in any other? A. No.

Q. About what amount have you in bonds? A. Is that necessary?

THE CHAIRMAN: You will not hurt yourself answering that.

THE WITNESS: Approximately \$160,000.

BY MR. GROSCH:

Q. That keeps the asset liquid. A. Yes.

Q. They are readily converted? A. Yes.

Q. You obtain 3 per cent on the bonds. A. Yes.

Q. That goes into the earnings? A. No. It goes to reduce our expenses.

Q. It is part of your income? A. Yes. It reduces head office overhead.

BY MR. MILLIKEN:

Q. The creameries that you bought out, were they partnerships or joint stock companies? A. Joint stock companies. One was individual ownership as far as I know. We dealt with the individual only.

MR. MILLIKEN: I have no more questions.

THE WITNESS: May I say how much I appreciate the courtesies extended to us and add once more that we shall be only too happy to send to you at any time any information we

we can give that will be in any way helpful to you. I also wish to thank Mr. Grosch for his courtesy in cross-examination.

MR. MILLIKEN: I may say, Mr. Chairman, that there are one or two other producer pools in this province that have not appeared before you and it might be that you would like to get information from them. I am not in a position to speak for them, however. There is the Alfalfa Seed Pool, which operates under contract whereby their growers agree to deliver to them. There is the Honey Pool. I do not know much about it. Mr. Arnason can tell you more about it than I can. You have not all types of producer organizations in this province before you when you have heard the creameries and the grain pools alone.

THE CHAIRMAN: I realize that, but briefs were not filed on behalf of these organizations you speak of.

MR. MILLIKEN: I am merely calling it to your attention so that if you care to communicate with them you may do so.

MR. GROSCH: May I call attention to the fact that the largest so-called dairy pool, Saskatchewan Co-operative Creameries Limited, neither filed a brief, as I understand -- correct me if I am wrong -- nor appeared before you.

Mr. Gooding took the brunt of everything. We were most anxious to see them here.

THE CHAIRMAN: I declare the Regina sessions concluded.

-- The Commission thereupon adjourned to meet in Winnipeg on Monday, February, 1945, at 10.30 a. m.

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